ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 178 Number 5280 | New York 7, N. Y., Thursday, December 10, 1953 | Price 40 Cents a Copy

EDITORIAL

As We See It

Senator McCarthy has challenged the leadership of the President, and done so in a way that leaves his denial of the fact unconvincing. The Senator has a certain popular following among the rank and file, but it may well be doubted whether on the basis of that following he is to be taken seriously. Report has it, however, that influential elements in the Republican party have now decided for reasons of their own to make use of the Senator to gain ends which seem good to them—and there is rather too much evidence in support of this now rather common analysis of the current situation to permit it to be put aside as without foundation or truth.

The strictly political significance of this internecine conflict between the President and elements of the Republican party behind Senator McCarthy—if that is what we are now witnessing—we gladly leave to others who have more interest in it and better understanding of it. It begins to appear, however, that much more may well be involved. This Administration has been laboring intensively for many months to evolve a program of action for the Congressional session to begin after the turn of the year. The President said recently, and he is eternally right, that the fate of the party in next year's elections ought to turn upon the wisdom of that program and upon the degree in which the party can give it the breath of life during the coming session of Congress.

So far as we are aware, no one—probably not even the President himself — knows precisely what this program is to be. Vital decisions at many points remain to be made during the next

Continued on page 35

Where Are We Going from Here?

By FREDERIC A. POTTS*
President, The Philadelphia National Bank

After pointing out that for 15 years, the economy of nation has been rushing toward a boom of great proportions, prominent Philadelphia banker holds there is persuasive evidence business activity has leveled out on a high plateau; but it is still uncertain when this crest of the boom will recede. Sees much depending on volume of consumer spending, and holds, since early spring, it is evident industrial output is surging beyond demand. Says, although depressive factors signal only moderate changes in 1954, sometime beyond this, in absence of new and powerful external developments, a downturn appears certain. Stresses importance of corrective government policies.

I have been asked to say a few words concerning current economic highlights and the outlook for business as it now appears. This is the season, of course, for the forecasters' voices to rise in a great clamor. As usual, this year finds them divided into three camps. On the one hand are the perennial pessimists who foresee economic disaster and chaotic market places. On the other are the unrestrained optimists who are certain of eternal prosperity. At various stages of proximity one to the other stands the huge army of "middle-of-the-roaders." I am afraid, gentlemen, that I must claim allegiance to this latter group, although I reserve the right of desertion without notice.

Frederic A. Potts

Despite the wide divergence of opinion regarding the future, there is unanimous agreement as to the immediate past. For nearly 15 years, the economic system of this nation has been rushing

Continued on page 28

*An address by Mr. Potts before the Philadelphia Textile Manufacturers Association, Philadelphia, Pa., Nov. 30, 1953.

Eisenhower Proposes Use of Atomic Stockpile for Peace

President, in address to United Nations General Assembly, offers plan to put atomic power "into hands of those who know how to strip its military casing and adapt it to the arts of peace." Would create an atomic energy agency, under aegis of United Nations. Speaks of Bermuda Conference.

President Dwight D. Eisenhower, on Dec. 8, appeared before the United Nations General Assembly and delivered an address in which he proposed that all nations concerned, including the Soviet Union, join the United States in contributing part of their atomic stockpile to an international pool of nuclear materials, which is to be immediately made available for peaceful uses.

Pres. Eisenhower

The text of the President's address follows:

When Secretary General Hammarskjold's invitation to address this General Assembly reached me in Bermuda, I was just beginning a series of conferences with the Prime Ministers and Foreign Ministers of Great Britain and France. Our subject was some of the problems that beset our world.

During the remainder of the Bermuda Conference, I had constantly in mind that ahead of me lay a great honor. That honor is mine today as I stand here, privileged to address the General Assembly of the United Nations.

At the same time that I appreciate the distinction of addressing you, I have a sense of exhilaration as I look upon this Assembly.

Never before in history has so much hope for so many people been gathered together in a single organization. Your deliberations and decisions during these somber years have already realized part of those hopes.

But the great tests and the great accomplishments still lie ahead. And in the confident expectation of those

Continued on page 36

IBA CONVENTION ISSUE NEXT WEEK — The "Chronicle" of Dec. 17 will include full texts of speeches and Committee Reports made at the Annual Convention of the Investment Bankers Association, along with an elaborate pictorial coverage of this important annual event.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

PETER BARKEN
Peter Barken Co., New York City

Shatterproof Glass Corp.

Some of the greatest investment bargains are to be found in securities which are not currently paying dividends. This is particularly so at the present time when the stocks most in vogue are what are regarded as quality or blue chip securities. The important qualifications for such a rating appears to be a long continuous dividend record and a company name or product that is well and favorably known by the general public. Now that there is expectation of some recession in industrial activity from recent boom levels, there is, of course, good reason to favor investments in companies which because of their well intrenched position or other reasons will likely have well stabilized earnings.

Peter Barken

However, a mistake can be made in giving exaggerated consideration to the more superficial indications of stability such as size of the company, and the dividend record to the neglect of more fundamental factors. The ability to pay dividends steadily over a long period of years is, of course, good indications of earning stability but it does not necessarily follow that a company which has not paid dividends might not have somewhat equal stability.

Dividends seem to have quite a psychological value in assuring the investor that the company is earning money and is in good shape. However, the investor is forced to pay a very great penalty for the comfort and assurance that the paying of regular dividends provides. This penalty is only partly in the higher income tax rate he pays on dividends than on capital gains, but mainly in the much higher market price for a given earning power in dividend paying as compared to non-dividend paying securities. Similarly the price earning ratio is normally found more favorable to the investor in the case of smaller and less well known but equally successful companies than in large companies that are much in the public eye.

To those investors who are not concerned about immediate dividends, there are in the present market many very attractive investment opportunities. Illustrative of these is Shatterproof Glass Corp., the stock of which is traded Over-the-Counter. The tabulation below shows the sales and earnings record of this company:

Year	Net Sales (000) Omitted	Net Income	Earnings Per Share
*1953	$7,676	$299,281	$0.75
1952	9,826	436,464	1.08
1951	8,273	339,918	0.85
1950	5,067	190,554	0.48
1949	3,811	87,206	0.22
1948	3,608	115,155	0.29
1947	2,758	148,348	0.37
1946	1,738	3,332	0.01
1945	3,052	273,700	0.70
1944	2,716	330,296	0.85
1943	1,756	118,951	0.31

*Nine Months.

This shows average annual earnings of about 54¢ per share in the last 11 years, or about 18% on the current price of about 3⅛. However, since during all this period has paid only one dividend of 35¢ per share, these earnings have been used to expand the company so that the size of operations is now several times that in the early years of this period. Consequently the earnings in the future because of the greater amount of money invested and size of the operation, might be expected to be much greater, other things being equal than the average earnings of this past period.

Most companies have had good earnings during some or most of the past five or ten years, but in many cases these were due to conditions such as catching up with deferred demands for durable goods, which will likely not remain as favorable in the future. The principal business of Shatterproof Glass is automobile glass. The company also makes automobile gears and broaching tools. Shatterproof's sales of safety glass and gears are to the replacement trade. Accordingly, the fact that the market for autos is now approaching saturation does not indicate any falling off in its sales but rather a greater potential due to the greater number of cars now in operation and which will require glass and gear replacements, particularly as they become older.

To some extent Shatterproof might be regarded as a growth company, because of the growth that is taking place in the use of glass in automobiles. Not only is the number of square feet of glass per car increasing but there is an increasing tendency to use curved glass which sells at substantially higher prices. Shatterproof this year has placed in service a new plant for the manufacture of curved glass, having previously supplied only flat glass, so that its sales should increase materially as the new plant reaches full production.

This year's earnings have been affected somewhat by the expense involved in starting this new plant as well as moving the broaching operations to the main plant so as to permit more efficient operations in the future.

It will be evident that the failure of Shatterproof to pay dividends is not due to any lack of well stabilized earning potential but rather to the fact that the management which owns a large part of the stock prefers to finance the rather rapid growth out of earnings and incidentally avoiding paying personal income taxes. Contrast this stock currently earning about $1 per share on an investment of a little over $3 per share which apparently has its best years ahead, with that of General Motors, currently earning between $6 and $7 per share with a price of about 60 but whose plush earning period is apparently just about over. Also Shatterproof has presently net quick assets of roughly $4.75 per share as compared to about $12.50 for General Motors. The net quick assets of Shatterproof per share are roughly about 150% of the present market price. Those of General Motors are less than 25% of its market price. If General Motors longer record of successful operations and more intrenched position tend to make it a more safe investment, it would seem that the above difference in liquid assets in relation to selling price should be somewhat offsetting.

This Week's Forum Participants and Their Selections

DANIEL F. LAINE
Securities Analyst, Investors Advisory Institute, New York City

Robbins & Myers, Inc. Common Stock

Ever since I first began reading the financial pages, I have been attracted by up-and-coming companies with small common stock capitalization — like Robbins & Myers, which has less than 150,000 common shares in the hands of the investing public. Whenever net income of these corporations shows real improvement, you may be sure that it will have a decidedly favorable effect on the few outstanding shares. In such instances, the river of improved earnings is not reduced to a mere trickle by millions of shares having residual claim to corporate profits. In this connection, it is interesting to note from the table below the different results which would stem from a $1 million jump in net profits for a company with relatively few shares outstanding (Robbins & Myers) and one having as many millions as General Motors:

Effect of a $1,000,000 Increase in Net Income

	Per Share Improvement Over Latest Full Year Earnings In Dollars	Percentagewise
General Motors	$0.01	2%
Robbins & Myers	$6.77	85%

Of course, it all boils down to the fact that Robbins & Myers' pie has been cut into few slices, there being only 147,705 shares outstanding versus some 88,208,680 shares of General Motors stock. (The disparity would have been still greater had I used a company like 150-million-share Atlas Consolidated Mining and Development.)

Accordingly, in order for a company like G. M. to boost earnings $1 on each of its common shares, it has to raise net income (after providing for preferred dividends) by more than $100 million, whereas R. & M. accomplishes the same result when its net expands only $148,000. And, as will be demonstrated below, R. & M.'s earnings are showing real improvement. Then, too, management's plans presently call for retirement of about one-third its 92,604 shares of participating preferred stock; this move alone should add at least $50,000 a year to common earnings.

I don't contend that Robbins & Myers is another General Motors in all respects, but its common certainly appears to be undervalued on several important fronts:

Earnings — For its fiscal year ended Aug. 31, 1953, this Ohio company reported the largest earnings in its history. Net was equal to $7.99 per common share, which compares with less than half that amount three years ago,

Continued on page 24

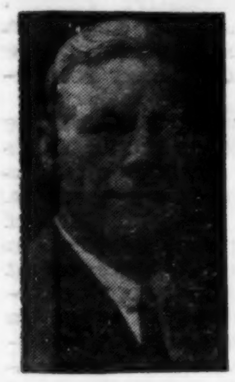
LETTER TO THE EDITOR:

The Stock Dividend Mumpsimus

Dr. Neil Carothers, Dean Emeritus, School of Business Administration, Lehigh University, and consultant to a former President of the New York Stock Exchange, takes exception to conclusions about the nature of stock dividends which are allegedly confusing the public. Holds stock "dividends" actually are not a substitute for cash dividends; they do not reduce income taxes; and they are not desirable instruments for converting earnings into permanent capital. Insists they merely change the printed evidence of ownership, and in no sense constitute income. Examines Stock Exchange's new rules on subject.

Editor, Commercial and Financial Chronicle:

I am moved to write this letter by the appearance of three articles in two of your contemporary financial journals. The three articles advance wholly unsound propositions about stock dividends and give enthusiastic support to the corporation practice of issuing stock dividends under the false idea that they are of value to the stockholders.



Neil Carothers

The misconceptions I have in mind boil down to three propositions:

(a) Stock dividends are a desirable substitute for cash dividends.

(b) Stock dividends reduce income taxes for the stockholder.

(c) Stock dividends are a desirable instrument for converting earnings into permanent capital.

These three propositions are wrong. There is nothing mysterious or magical about stock dividends, except the name, which is incorrect. Stock "dividends" are **not dividends at all.** A dividend is a cash payment to a stockholder from earned profits. A so-called stock dividend is merely an increase in the number of shares representing ownership in the company. Each share in a corporation represents ownership of a given proportion of the entire property. The owner of 100 shares of General Electric owns a certain proportion of the corporation. If the stockholders choose to do so, they may replace the 100 shares with 200 shares. This is a familiar practice. Bethlehem Steel issued three new shares in the place of each old share.

This is commonly referred to as "splitting shares." It makes no change whatever in the ownership, earnings, or value of any stockholder's property. A stock dividend is merely a split, no more, no less. A 10% stock dividend means that the owner of 100 shares gets 10 additional shares. His 110 shares represent precisely what his 100 shares formerly represented. There is no change in the value of his property.

Merely Change in Evidence of Ownership

In other words, a stock dividend is merely a change in the printed evidence of ownership. What was formerly 100 shares has become 110 smaller shares. To assert that anybody can make profit from a change in the printed figures on a stock certificate defies all reason. To contend that the additional 10 shares represent income is absurd. If the stockholder sells the 10 shares he has merely sold 1/11 of his ownership of the company's assets. He could, without a stock dividend, have sold nine shares of his 100 shares (almost exactly the same proportion) and received the same price. The stock dividend has done nothing whatever except dilute the assets and earning power of each old share and give the stockholder enough shares to make up for the dilution.

This is elementary stuff. Any sophomore in economics knows it. It should not be necessary to set it down in a financial journal. But it is necessary. The two articles referred to, incomprehensibly, attempt to show that there is profit in the stock dividend and savings in income taxes. If an apple is divided into eight parts, and a man owns one part, that is that. But if it is, instead, divided into 16 parts and the man gets two of the smaller parts, it is nonsense to say that he has more than he had before.

The Internal Revenue Bureau may not be a lovable institution, but it knows what is income and goes after it. Having some elementary understanding of finance, it knows that a stock dividend has no value whatever. It does not tax it as income. It tried to do so a long time ago and was stopped by the Supreme Court.

Not Income

Stock dividends are not income and cannot be converted into income. But, it is alleged, there is an income tax saving through through stock dividends. This absurd statement must be examined, if only briefly. The stockholder with 100 shares who receives a stock dividend of 10 shares can sell the 10 shares if he chooses, exactly as he could have sold nine shares before the stock dividend. He sells 1/11 of his entire ownership in the company. That is all there is to it. As in the sale of any other property, he pays a capital gains tax if any is due. If he sold at a loss on his original investment he pays no tax. If the profit was large, the tax may be

Continued on page 25

INDEX

Articles and News

Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President

Thursday, December 10, 1953

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $48.00 per year; in Dominion of Canada, $51.00 per year. Other Countries, $55.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $33.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Sedate Securities in the Canadian Wilds

By HAROLD J. KING, Ph.D.

Countering the myth that only cats and dogs are traded on the Canadian Exchanges, Dr. King presents data on some industrial common stocks having unbroken cash dividend records extending more than 30 years.

With oil and mining stocks playing such a conspicuous role on the Canadian Exchanges, it is understandable how many investors south of the border view these organizations more or less as northern branches of the Reno casinos. True it is that blue chips of the I.B.M., or Eastman Kodak, calibre may be scarce as hen's teeth on these polar-side emporia. But most erroneous it is to assume that activity thereon is confined to cat and dog material. For even among the oils and mines are to be found chips of at least the turquoise blue variety.

Harold J. King

British American Oil, on the Toronto, Montreal, and Vancouver Exchanges (unlisted trading on the American Stock Exchange) furnishes one example. The common stock (no preferred out) of this corporation carries an unbroken cash dividend record of 45 years. Common of Hollinger Consolidated Gold Mines (no preferred out in this case either) has a similar record of 42 years. This stock is listed in Toronto, and London, England, with unlisted trading on the Canadian Stock Exchange and American Stock Exchange. In each of the last 37 years has cash been paid on McIntyre Porcupine Mines stock (no preferred out), which is listed on the Toronto, New York, and Midwest Exchanges.

But the Canadian economy comprises more than the glamor industries. On the more platitudinous side are to be found, among many others, textiles, glass, coal, and steel. The common equity of Penman's Ltd. (a textile company) has a consecutive cash dividend record of 36 years; Dominion Textile, 31 years; Dominion Glass, 36 years; Crow's Nest Pass Coal Co., 35 years; Steel Co. of Canada, 39 years; and Dominion Bridge Co., 40 years. Each of these is to be found on one, or more, of the Canadian exchanges.

Yields

Seldom are yields fancy on stocks having long, impressive, dividend records. Seven per cent plus on Dominion Textile is not niggardly though. It has paid 55 cents during the last 12 months, and is selling around 7¾. At 61½ Crow's Nest Pass Coal would yield about 6.5% on a $4 dividend.

The $3 dividend on Penman's means a 6.3% yield at 48.

McIntyre, also paying $3, and selling around 53⅞ is yielding 5.6%. At current prices and dividend rates Dominion Bridge is yielding about 4.3%; Dominion Glass 4.1%; Steel Co. of Canada 3.6%; British American Oil 3.2%; and Hollinger 2.0%.

Let's skim a few more details.

British American Oil Co., Ltd.

Whereas U. S. oil corporations, such as Gulf, Texas, and Continental, have heavy Canadian interests, British American presents a situation in reverse. Through a wholly-owned subsidiary it owns producing properties in more than a dozen of the Southern and Western states of the U. S. As to its home grounds, the company has producing wells in the Turner Valley, Leduc, Redwater, Peace River, and other pools.

Its refineries have a total capacity of 84,950 barrels of crude oil per day. In 1952 the company sold 25.6 million barrels of refined oil.

This $194 million company had $48 million in debentures, but no preferred outstanding on Dec. 31, 1952. Net profits increased from $8 million in 1949 to $14 million in 1952. Sales of 1953 are running about 7% above those for 1952, and it appears that the profits for 1953 will run well above those for the preceding year. The company is in the midst of a plant expansion program running into the millions.

The high market regard for this stock in recent years is indicated by the following:

Price Range

Stock was split 2 for 1 in July, 1951.

	1950	1952
High	32½	26
Low	25⅝	18⅞

The unbroken cash dividend record started in the year of incorporation, 1909.

Crow's Nest Pass Coal Co.

A million tons of coal, 10 million board feet of lumber, and 177,000 tons of coke constituted this company's 1952 production. It was incorporated in 1897. With the exception of some Alberta oil and gas ventures in which it is participating, its operations are confined to British Columbia. This $7 million (12-31-52) concern is without funded debt, or preferred stock. Toronto Stock Exchange listing.

Dominion Bridge Co., Ltd.

This builder of bridges, cranes, platework, and structural steel work was incorporated in 1912, and started its unbroken dividend record the following year. A 46 million dollar outfit, it has no funded debt. Net profit has increased each year from 1944 ($672,188) to 1952 ($4,694,305). The company has been distributing only about one-third of its earnings. In 1952, $9.13 was earned per share, $3.10 distributed. There is no preferred. The annual capacity of its plants is 200,000 tons of bridge and structural works. The company has acquired 54 acres in northwest Toronto for a new plant. This is part of a $17.5 million plant expansion and modernization program scheduled to extend over the next dozen years. Montreal Stock Exchange listing. Unlisted trading on the American Stock Exchange.

Dominion Glass Co., Ltd.

Fruit jars, tableware, insulators, and other glassware are the products of this company, incorporated in 1913. It owns plants at Montreal, Hamilton, Wallaceburg, and Redcliff, Alta. A $27 million concern (12-31-52), with $2.6 million in 7% cumulative preferred out, it has no funded debt. Dividends on common have increased from 50 cents in 1946, to $2.85 in '51, '52, and '53. Stockholders have just (11-24) authorized a two-for-one stock split of the common. Montreal Stock Exchange listing.

Dominion Textile Co., Ltd.

Incorporated in 1922, Dominion Textile operates eight mills in Montreal, Magog, Montmorency Falls, and Sherbrooke, Que., making gray and finished cotton goods. Total assets on 12-31-53 were $101 million, funded debt amounted to $15 million, and there was outstanding $2 million in 7% cumulative preferred. Common is listed on Montreal and Toronto exchanges (unlisted trading on American).

Hollinger Consolidated Gold Mines, Ltd.

One must go into partnership with the Canadian Pacific Railway to own a piece of this company, for 51% of the Hollinger stock is held by the private rail system of Canada. The company has a substantial gold mine on its claim located near Timmins in Tisdale and Montjoy townships of the Porcupine area of northern Ontario. It is extensively developed by numerous shafts and underground workings to a depth of 4,450 feet. Ore reserves on 12-31-52 were 4,606,778 tons, with a grade of 0.320 ounces. Mill capacity is about 5,500 tons daily.

The fabled metal is only one interest of Hollinger, which produces, in addition, silver, lead, zinc, antimony, tin, cadmium, and fertilizer. In 1952 the company's production of gold amounted to 84,000 ounces; of silver, 12,966,000 ounces. This $39 million corporation has no funded debt. Net income in 1952 amounted to $1.9 million.

McIntyre Porcupine Mines, Ltd.

With silver as a minor sideline, McIntyre has, in recent years, been producing in excess of 200,000 fine ounces of gold annually. Operations of this company, incorporated in 1937, are concentrated in Ontario and Quebec.

Penman's, Ltd.

This $10 million manufacturer of silk, wool, and cotton goods was incorporated in 1906. Its mills are located in Ontario and Quebec. On Dec. 31, 1952 funded debt amounted to $1.2 million, and there was $1.1 million of 6% cumulative preferred out. A three dollar dividend on common (listed on the Toronto and Montreal Exchanges) has been paid each year since 1932.

Steel Co. of Canada, Ltd.

Incorporated in 1910, the company produces, among other things, pig iron, sheets and strip, plates, drop forgings, rivets, bolts, nuts, screws, and fencing. Plants are located in six Canadian cities including Montreal and Toronto. Ingot production in 1952 amounted to 1,371,789 net tons. Net profit increased from $2½ million in 1946, to $14 million in 1950. Since then they have held at the $13 million mark. This 172 million dollar company had, on 12-1-53, funded debt amounting to $32 million. Listed on Toronto and Montreal Stock Exchanges. Unlisted trading on American Stock Exchange.

The Controversial Taft-Hartley Issue

By HON. SAMUEL K. McCONNELL, Jr.*

U. S. Congressman from Pennsylvania
Chairman, House Labor Committee

Chairman of House Labor Committee discusses proposed changes in Taft-Hartley Act, and denounces the National Labor Relations Board as making Act ineffective. Says there is need for creating the impartial handling of cases before NLRB before Act can be properly amended. Sees need of a clearer separation of State and Federal jurisdiction in labor disputes and a prohibition of secondary boycotts. Opposes end of State "right to work laws."

My topic today is, "The Controversial Taft-Hartley Issue." The adjective, "controversial," has been used deliberately, as any discussion of that subject seems to arouse emotional arguments. For over six years I have read and listened to millions of words concerning that law and related matters. If there are any new ideas or new approaches which have not been mentioned previously I would be delighted to hear them. And if there is a way to discuss this entire problem without stirring up tense feelings it would be a genuine pleasure to use it. It is my earnest desire, and I am sure that desire is shared by many individuals all over this nation, that somehow we will work out a labor-management relations law that will be just; that will effectively preserve the legitimate rights of the parties involved; that will be accepted by reasonably-minded people everywhere; and that will protect the public welfare. That is a difficult assignment, and a tremendous challenge to all of us. It is easier to say than it is to accomplish.

The Republican Party Promises

Before discussing specific items I would like to give you a brief summary of some of the activities and events which preceded the present moment. President Eisenhower during his campaign and in later statements has advocated changes in the Taft Hartley law. Shortly after his inauguration various discussions occurred between individuals and groups concerning amendments to the law without noticeable progress. Then the President requested certain persons to hold conferences and work out suggestions, which he could use as a basis for recommendations to Congress prior to adjournment last August. That group consisted of two representatives of the White House, Mr. Bernard Shanley and Mr. Gerald Morgan; Secretary of Labor Martin Durkin; Secretary of Commerce Sinclair Weeks; the late Senator Taft; Senator Alexander Smith, Chairman, Labor and Public Welfare Committee of the Senate; Representative Samuel McConnell, Chairman, Education and Labor Committee of the House, and some of their respective staffs.

*An address by Congressman McConnell at the Union League Club, Chicago, Ill., Dec. 2, 1953.

Conferences were held at the White House and in Senator Taft's Senate Majority Leader's office as he began to weaken physically. Suggestions and memorandums of every description were studied. In late July it became apparent that particular provisions were delaying an agreement. In order to save time a working draft in message form was written, the intention being to make corrections and changes from the message draft rather than from the rough working drafts that had been used previously. Senator Smith, Secretary Weeks and I disagreed with some of the provisions of that message draft. Before any changes could be made Senator Taft died, and in respect to his memory, further discussions were postponed. A day or so later the entire draft was leaked to the "Wall Street Journal." The publication of it, and of the various interpretations of the changes, were given wide circulation. Animated discussions, and criticisms immediately followed and they have continued for many weeks.

Two weeks later Secretary Durkin resigned, claiming that an agreement to recommend the entire 19 proposals had been broken. As I have stated before, I personally do not know of any such agreement. To my knowledge there was general agreement on some items and not on others. Also, I have said previously and I repeat again that I had and still have the opinion that all of the parties involved in the conferences sincerely tried to work out an agreement that would not violate their basic beliefs.

Summarizing briefly—the message working draft was not in final form. The entire 19 provisions as published were not to be recommended to Congress. There were to be changes. The death of Senator Taft postponed further discussions and corrections.

Proposed Changes in the Act

It is not my intention to discuss all the 19 provisions, nor to go into detail on the many proposals to amend Taft Hartley. I will not attempt to predict the actions of

the Education and Labor Committee of the House. It will be my purpose to point out to you the major problem areas, some suggested solutions, my ideas regarding some of them, including certain provisions in the leaked message draft, and some additional items which undoubtedly will receive attention from Congress itself. The viewpoints when expressed are m y o w n personal thoughts, and not necessarily those of the members of the Committee.

I would like to organize our discussion today in terms of major problem areas—those vital considerations which in my judgment are the significant parts of the Taft Hartley issue.

These major problem areas are:

(1) Administration of the Act.
(2) State-Federal Jurisdiction.
(3) Secondary Boycotts.
(4) National Emergency Strikes.

I

Administration of the Act

The present law continued the National Labor Relations Board originally created by the Wagner Act. It enlarged the Board from three to five members, and created a semi-independent General Counsel. In theory, we "divorced" the Board itself from its "administration," and intended that it operate as a strictly judicial body. At the same time the General Counsel was supposed to administer the law, receive and process both unfair labor practice charges and petitions for representation elections.

Dissatisfaction With NLRB

If there is one major theme which runs throughout the millions of words of testimony last Spring it is dissatisfaction with the National Labor Relations Board and its regional and field offices. Management and labor spokesmen were both vocal in condemning them, as to speedy disposition of cases; as to decisions allegedly at variance with Congressional intent, and as to lack of impartiality. We were particularly disturbed by the testimony which showed small employers brought to their knees with the assistance of the Board and its regional office staff. Union spokesmen testified concerning discrimination in favor of one union against another.

I have always been convinced that any attempt to amend Taft Hartley without first making certain that a new labor law will be administered by sympathetic, fair, and impartial men is to find ourselves pursuing a will o' the wisp. There can be no argument that the system of administrative law, as applied to our labor statutes during the past 18 years, has been tried and found wanting.

It was startling to discover how many pre-Taft Hartley employees still remain in responsible positions within the NLRB administrative structure. It is hard to believe that the same policy officials could be equally efficient and determined to administer the Taft Hartley law as they were to administer the Wagner Act.

Few thinking individuals today want to change the basic principle of our national labor policy: i.e., the guarantees to working men and women of their right to bargain collectively with their employer through representatives of their own choosing. That was the basic theme of the Wagner Act, and it was continued in the Taft Hartley Act. But these guarantees of the representation and bargaining privileges do not necessarily require a continuance of a topheavy administrative agency, particularly when years of experience show us its faults.

There is a big question mark in my mind concerning the best way to solve this very important problem of administration. One of the leaked 19 points which I favored provided for further study to see

Continued on page 35

Observations . . .

By A. WILFRED MAY

Some Conclusions From the Newspaper Strike

In addition to unexpected repercussions having to do with reader psychology, numerous implications in the economic area have become demonstrated by the highly-publicized newspaper strike. And such publicization (while the concurrent strikes in such "out-of-the-way" areas as the container and bagel industries have gone on relatively unnoticed) has served to highlight for the public vital issues common to most all present-day labor disputes.

A. Wilfred May

For example, again we have witnessed the impracticability of establishing accountability for the breaking of contract. The American Newspaper Guild, which was not directly involved in the instant dispute, quite clearly violated its own standing agreement which provide that there shall be no work stoppage while issues are in dispute or arbitration; and further, that if no agreement is reached, the *status quo* shall prevail. For the Guild, the CIO union of editorial, business and miscellaneous employes, despite its current negotiating of a new contract, and engagement in arbitration of a wage-reopening clause, not only sympathetically quit work on the other side of the picket line, but additionally paid strike benefits. Such payments consisted of $30 per week in the case of a single man, $40 to a married member with $10 for each dependent; with a maximum of $80 per week or 90% of his regular salary.

Nevertheless, and flouting the morals involved, as always, such violations have apparently become washed out in the subsequent agreement. In addition to the temptation to follow the lines of least resistance, there is the inhibiting factor on the employer of having to live with the union, and the urge to avoid strike repetition following any attempt at legal reprisal. Thus exhibited for all is the purely academic status of the sanctity of contracts in labor relations.

All Losers

Another strike feature, clearly manifested in the recent battle, is the net result of loss to all the parties. While the exact cost to the publishers through the loss of circulation and advertising revenue, offset by some savings in costs, is not calculable, it was of course huge over the 10-day period. And management generally, through vulnerability to charges of "secondary boycott" resulting from the "Tribune's" temporary sympathetic shut-down, may measurably ease the CIO's side in its future negotiating for changes in the Taft-Hartley law, in pleading that the ban on the unions secondary boycotting "is discriminatory against them."

The unions, for their part also, have lost considerable face, in addition to the material costs. On the part of the community not biased, a bad impression was undoubtedly created by the local union's refusal to submit to arbitration, in the face of International President Volz's urging to comply with the suggestion of the publishers and the Federal Mediation Service so to do.

Moreover, and quite apart from "esoteric" issues as freedom of the press, the unions undoubtedly lost friends through the indispenable sympathetic support given to the Photo-Engravers by the 20,000 craft union members; in the face of typographical union head Randolph's urging them not so to do—whether that advice was merely mechanically publicized to get the unions legally in the clear, or in retaliation for the Photo-Engravers' refusal to support the costly Chicago strike of five years ago—or both.

And not to be overlooked, of course, is the $2,000,000 in weekly wages lost by the 20,000 unionized employes out of work.

Seemingly, only the lazy newspaper reader, welcoming the respite from his daily "chore," benefited from the strike proceedings!

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Closings by many plants for the Thanksgiving holiday accounted for a slight contraction in total industrial production in the period ended on Wednesday of last week. Output continued to be down mildly from the high level of the year before and the near-record level reached last March.

Operating at reduced levels were producers of consumer durables, apparel, textiles, farm equipment and automobiles. Still quite active were producers of chemicals, electronic equipment, machine tools and armaments.

Total claims for unemployment insurance benefits in the latest reporting week continued to be perceptibly larger than the year-ago level.

Unemployment rose to 1,428,000 in November, up about 300,000 from the preceding month, the Commerce Department noted. Secretary Weeks said the increase confirmed "other evidences of a slight easing in various sectors of the economy." But, he added, the employment situation as a whole "continues favorable." Nonfarm employment in November, the Secretary pointed out, amounted to 55,200,000, a new high for the month.

The Pennsylvania Railroad announced recently that a fall-off in business is forcing it to reduce its system-wide work force by about 6%—or roughly 7,400 workers—by January 15. The furlough program began early last week and by mid-January will have idled about one out of every 17 of the 123,000 Pennsy workers, it stated.

Business inventories in October, after adjustment for seasonal factors, according to the United States Department of Commerce, dropped $350,000,000 from September levels. This was the first decline from the preceding month since last January, the Commerce Department stated. On an unadjusted basis, stocks of manufacturing, wholesale and retail firms on Oct. 31 were valued at a record $79,400,000,000—$4,700,000,000 higher than a year ago.

A joint report from the United States Departments of Commerce and Labor declared that construction outlays last month totaled $3,000,000,000, a less-than-seasonal drop of 6.7% from October. Expenditures for both public and private building work set new highs for November. "Most major construction categories continued strong for this time of the year," it was further noted, "with commercial building showing a contra-seasonal rise to an all-time monthly high." Total outlays for new building in the first 11 months came to $32,100,000,000, 7% above a year ago.

This week car production will be about the same or lower than last week when 97,147 autos were made, or about 86% more than the 52,277 (1953 low) for the previous week when there was a Thanksgiving holiday, "Ward's Automotive Reports" states. Last week's total was 2% above the 94,886 in the like 1952 week.

In November the industry made 361,837 cars and 76,640 trucks, down 34% and 14%, respectively, from October, according to "Ward's." Although many in the industry expect the December totals will rise again, there are still many uncertain factors which do not fully back this up, the agency notes.

Steel Output Touches New Low for 1953

Steelmaking operations have settled into a year-end "groove" below 90% of rated capacity, and there is little prospect of much improvement before February, according to "The Iron Age," national metalworking weekly. Operations this week are scheduled at close to 86.0% of rated capacity, down about 1% from last week.

Buyers are hesitant. Buying policy is restricted. Inventories continue to depress the market and big consumers are delaying ordering needed tonnage, as long as possible while they try to hammer out additional price concessions, this trade weekly states.

Yes, it adds, steel business is expected to be good through the first half of next year. Operations below 90% of capacity aren't hurting the bulk of the industry badly.

In the first place, much of the decline in steelmaking can be traced to electric furnaces. In October, last month for which statistics are completed, electric furnace ingot rate had sunk to 56.3% of capacity, while openhearth furnaces were still operating at 99.1% of capacity. Since then both rates have declined, but openhearths are still averaging over 90%, it points out.

Electric furnace decline can be traced to (1) end of demand for expensive conversion steel, (2) a generally weak market for alloy and stainless steels, and (3) stretch-out of military programs.

All these developments were anticipated earlier in the year, and the decline in electric furnace operation was not unexpected.

One other factor should be pointed out "The Iron Age" notes: Even at 50% of capacity today, the industry is producing more electric furnace steel than it could turn out at 100% six years ago. Electric furnace capacity has more than doubled since 1947, climbing from 5,100,000 tons to over 10,200,000 tons.

Another reason lower operations aren't hurting as badly as might be expected is that some companies are actually effecting economies. Some of them are less overtime pay, lower material cost (scrap for example), and more efficient scheduling of production, observes this trade journal.

Some companies are achieving additional operating economies by retiring marginal, high cost facilities. For example, U. S. Steel by the end of this year will have curtailed operation of a

Continued on page 29

Towards Sounder Debt Management

By W. RANDOLPH BURGESS*
Deputy to the Secretary, U. S. Treasury

Asserting national debt has not been well managed in recent years, high ranking Treasury official points out heavy short-term debt has been inflationary and left no opportunity for the Federal Reserve to make its policies effective. Defends 3¼% Treasury borrowing rate on long-term issues, and says efforts are being made toward pulling government debt into sounder shape, but adds, "it took us a long time to get into this mess and it will take a long time to get out." Stresses importance of "honest money" and a money-market that encourages free initiative.

The history of this country suggests that in the long run the American people will insist on the gradual reduction of the $275 billion national debt. We have done exactly that in the past, no matter how staggering the debt looked. In the meantime we must live with the debt and manage it as wisely as possible, so that it will do the least possible damage to our national economic health.

W. R. Burgess

The debt has not been well managed in recent years. That conclusion was reached by two Congressional Committees headed by Democrats, the Douglas Committee of 1950 and the Patman Committee of 1952. Under the previous Administration the interest rate was kept low by selling mostly short-term securities and using the powers of the Federal Reserve System to peg the rate at low levels.

Concerning this policy, Senator Douglas said on Feb. 22, 1951:

". . . The costs to the Government and to the people have been far greater than the gains which we have made from a lower interest rate. The increases in prices since Korea are probably already adding to the Federal Government costs at the approximate rate of six billion a year.

"The cost of meeting the interest on the public debt is now roughly $5,800,000,000. The entire budget submitted by the President for fiscal year 1952 is approximately $71,600,000,000. This means that Government expenditures for purposes other than interest, that is for services and materials, will be approximately $66,000,000,000. It is a conservative estimate that there has been a general increase in prices of commodities and services of roughly 10% as a result of the inflation; so that this inflationary price increase, then, is already costing the Government at least $6,000,000,000, and possibly more. That is in excess of the total amount which the Government now pays in interest.

"Even if interest rates were doubled, which is at best a very remote possibility, the added cost of meeting the interest on the public debt would not equal the cost to the Government because of the rise in prices that has already taken place.

"Furthermore, our whole society has been greatly disturbed and convulsed by the increase in the cost of living which has taken place; and no one knows what lies ahead. The responsibility for all this lies proximately and immediately with the Federal Reserve, but ultimately and really with the Treasury. I am not interested in putting anyone in the pillory and holding him up to public scorn. I am not interested in castigating people or institutions for the fun of it. I am vitally concerned, however, as to what will happen to this country if this policy is not changed. . . ."

As to the right policy to follow, the conclusion reached by Senator Douglas' Committee, which was in turn endorsed by Congressman Patman's Committee two years later, was that the Federal Reserve System should be freed—

". . . to restrict credit and raise interest rates for general stabilization purposes . . . even if the cost should prove to be a significant increase in service charges on the Federal Debt."

This general conclusion was partially put into effect by the "accord" reached in the Spring of 1951 between the Treasury and the Federal Reserve System. The step was a great victory for sound money and resulted from a wave of public opinion in opposition to the policies which had been followed and which, as Senator Douglas stated, had done such damage.

In his State of the Union Message President Eisenhower made it clear that this Administration would put fully into effect sound debt management policies. This meant lengthening the maturity of the debt—giving it wider distribution and working in cooperation with the Federal Reserve System for the general public welfare.

We found a debt one quarter of which was payable within a year, and about three quarters within five years. In 1953 we have had to go to the market nine times to refund maturities or raise new money—this apart from nearly $20 billion of Treasury bills rolling over every quarter.

This tremendous pressure of short-term debt has been inflationary; it could equally well at times be deflationary. It has left no free times for the Federal Reserve to make its policies effective. The Treasury has been in constant competition with the financing of private enterprise and States and municipalities, to the detriment of all. That was the situation we found.

We have now come through the first year's financing. In five of our nine operations we have stretched out at least part of the debt into maturities of from 3½ to 30 years. We have sold the first long-term fully marketable bond issue since 1945 at a rate which long-term investment institutions consider fair to the savers they represent. We have done this in a market free from artificial Federal Reserve price supports.

Natural Forces Allowed to Tighten Money Rates

Early in the year the Reserve System allowed the natural forces of a huge demand for money to tighten money rates. This was certainly sound central bank policy at a time of record production, rising inventories, and disturbing increases in consumer credit, and at a time when price and wage controls were being removed. For the Federal Reserve to have fed money into this situation to keep money rates easy would have been the height of folly. It would have accentuated the boom, encouraged further piling up of inventory, further use of bank credit. This would have greatly increased the danger of later recession.

I want to make it clear, however, that the decision on money was the responsibility of the independent Federal Reserve System—just as emphasized by the Douglas Committee. The Treasury operations in putting out a 3¼% long-term bond issue of course had some influence on the money market, but we did not pull that rate out of the air. It was the going rate in the market as shown by current transactions. It was the lowest rate at which the Treasury could borrow long-term money unless, indeed, the Reserve System had poured their money into the market—and resumed the inflation of bank credit.

The Treasury was not pursuing a "hard money" policy, nor indeed was the Federal Reserve. To the extent that money was a little more difficult to get, it reflected the working of the law of supply and demand in a free market. It had been so long since the money market had been free that it staggered a little under the impact of fresh air. Even some of our friends who had clamored the loudest for free markets did some complaining. And of course the opponents of freedom and lovers of regimentation were loud in their wails.

With the turn of the half year the money situation changed. The business demand for funds lessened; the threat of inflation receded; there were some evidences of slowing business activity; some farm incomes declined. Under these circumstances the Federal Reserve System did not hesitate to make available the funds which they calculated would be required for seasonal and other essential requirements, including the funds the Treasury needed to meet its cash deficit. Money became easier, due, not to any change in Administration policy, but largely to an actual and prospective change in the demand for money. The announcement late in August that the Federal Budget for the current year might be brought into cash balance had an important psychological effect.

The results of the year's efforts toward putting the government debt in sounder shape are just a good beginning. We have succeeded in raising $9 billion of new cash with little if any increase in holdings of government securities by the commercial banking system. Holdings by investors outside of the banks appear to be up over $4 billion. The savings bond program is doing well under the stimulus of renewed sales effort, and by the better prospect for sound, honest money which retains its buying power. Individuals have increased their holdings of marketable securities this year, too, for the first time in many years. Meanwhile, savings institutions have halted their long decline in holdings of governments which has characterized recent years, and short-term issues have been taken well outside the banks. In summary, debt operations have had no inflationary effect.

"A Long Time to Get Out of The Mess"

Looking ahead we have about the same job to do over again next year. About one quarter of the debt still matures within a year. It took us a long time to get into this mess and it will take a long time to get out.

We shall start the year with the advantage of a more flexible rate structure, a money market accustomed to more freedom, a better public understanding of what needs to be done, and with a stronger and more experienced Treasury team.

We shall continue to stress the sale of savings bonds. It is a good thing for the government and a good thing for the people to have these bonds widely distributed in the hands of many millions of people. In this program we need your help, particularly in the payroll savings plan.

What this Administration has done in bringing more freedom to the money market is consistent with our general objective of encouraging the initiative of free citizens. This freedom in the money market has been promoted along with more freedom in many other directions.

Soon after this Administration came into office, needless controls across the board were lifted. These controls were curbing the initiative and enterprise of American citizens.

This Administration sincerely believes that the average American can do more for himself—if he is allowed to do so — than the government can do for him. We shall continue to work toward this objective of encouraging initiative, for we feel that initiative and enterprise—the opportunity to better oneself by effort—are the traits that have made this nation great.

In conclusion, let me emphasize that the technical problems I have mentioned in discussing our handling of the debt are just as closely related to the welfare of the people of this country as are housing or social security or employment. Their proper solution forms the basis for honest money which keeps its value over the years.

And honest money is essential in combating the evils of inflation and deflation, in assuring honest pay for an honest day's work, and encouraging the flow of savings on which are built our country's future. This is true because out of savings has come our great productive economy which not only brings better living to all Americans but actually is our real first line of defense against any would-be aggressor.

We are seeking a very human—an all-important—objective when, through sound management of the national debt, we work for sound, honest money.

*An address by Dr. Burgess at the 58th Congress of American Industry, sponsored by the National Association of Manufacturers, New York City, Dec. 3, 1953.

Business—How Big a Drop?

By T. JOHNSON WARD*
General Partner, Merrill Lynch, Pierce, Fenner & Beane
Member, New York Stock Exchange, Philadelphia, Pa.

Security specialist gives factual data on current business situation and discusses the pros and cons of an impending business depression. Sees probable rise of 5% in personal consumption offsetting government and business outlays and elimination of excess profits tax as a cushion for business profits. Sees pattern of stock market favoring quality stocks, and warns increase in corporate debt may prove serious. Concludes, "for long pull, invest in America—don't sell it short."

Industrial production in the months to come is not expected to top the spring peak as covered by the Federal Reserve Board Index. The estimate for October is substantially down and the expected fall pickup has not been realized. The impetus of the continued rise in purchases of goods and services is waning; government spending is expected to decline in line with the new budget estimates although some modification may take place. Dramatic continental defense plans which were spotlighted by Russian hydrogen bomb experiments are not likely to be fully accepted. The hope that defense spending would receive a substantial booster shot from this source appears possible but not probable.

T. Johnson Ward

Business spending for plant and equipment continues at record rates. However, this is not expected to continue at present levels, although in a recent survey made by McGraw-Hill they reported a fact of profound importance to the 1954 business outlook, that American business now plans to invest in new plant and equipment during 1954 almost as much as it is doing in 1953.

How Big a Drop?

Now, how big a drop? Agreement regarding the possible decline seems to have seeped into most estimates of business activity. The majority view appears to favor an adjustment or a recession over a mild hesitation at one extreme or a depression at the other. Will the change be quick and last only nine months to a year, or will it be gradual and drag on for two or three years? Will the decline be selective in regard to industries affected, or will the entire economy be hit in more or less degree?

Some of these questions may be partly answered by the nature of the present boom. Despite the over-all record activity, agricultural problems have been growing in complexity since 1951. Some non-durable goods fields have been intensely competitive since the 1949 recession. Many durable goods producers, on the other hand, have been filling orders since World War II without having been forced to go out and sell. This disparity in boom participation indicates that whatever the nature of the economic correction to be witnessed, the ways in which varying segments of our

*An address by Mr. Ward before the Philadelphia Life Insurance and Trust Council, Philadelphia, Pa., Dec. 3, 1953.

economy will feel it will be vastly different.

Improvement in operating ratios has been taking place in 1953 after trending downward since the first part of 1951. Increasing sales have encouraged greater production, and consequent improvement in profits, but productive capacity has not only matched the surge of sales, it has piled up inventories. Just the fact that inventories have increased is not so important as that these inventories are not balanced. Manufacturers, in view of the existing shortages in the last few years, had to take on inventory when they could get it, and so to convert their present inventories into an end product, may mean that substantial purchases will have to be made.

Producers have the general alternative of reducing output or cutting prices or increasing sales volume. Profit margins will probably suffer in many cases since costs appear more or less inflexible. Some relief may come from lower industrial raw materials prices. Wage rates offer small prospects for lower costs except through greater productivity per wage dollar.

Capital spending costs for the most part are also not likely to change. Most of the recent plant expansion has been done at high prices and will not be completely written off for some years, although some $16 billion of plant will be written off through accelerated amortization on a five-year basis. In industry therefore there is a condition of productive capacity which may create a downward pressure on prices of finished goods and therefore profit margins may suffer as the agricultural over-production caused falling farm prices when war-torn nations resumed normal production.

The slide in industrial production to which I have referred began in the spring. Nevertheless, most companies showed large comparative sales and earnings for the first nine months of 1953. Some of the very large manufacturing concerns showed an all-time high of sales and profits. Dividends have been generally substantial but conservative in relation to profits.

Take for instance the reported reduction of the operations of the major steel companies which were reduced from a peak of approximately 106% of capacity to approximately 95% of capacity. To some this may be disturbing but it really is beneficial to the steel companies. The results from operation are better, particularly in this industry, when operating at from 90% to 95% of capacity than when they are operating at a percentage over their capacity. Their machines do not wear out so quickly; they get better production results from their employees; there is more opportunity to provide proper maintenance and the management has more time to think. However, while beneficial to the corporation, by reason of the elimination of overtime, it will reduce the take home pay of workers and may affect their general spending.

Another item which is important to those manufacturers who use steel, is the elimination of the necessity of a number of manufacturers to purchase conversion steel which increased their costs substantially, and the fact that they will be able to get steel in the normal way should tend to reduce their costs.

Railroads have undoubtedly improved their ability to tailor costs to volume of traffic.

An independent automobile company executive has estimated that total automotive production and sales may drop as much as 15% next year although other executives place their estimates at only 5% from 1953.

A 5% Rise in Personal Consumption Would Offset Business Decline

It is estimated that a 5% rise in personal consumption expenditure would more than make up for anticipated declines in government and business outlays. Moreover, such an increase would encourage maintained business spending. The precedent for this hope stems from 1949 when consumers maintained their spending rates and enabled the economy to weather the mild recession that took place.

The elimination of the excess profits tax will result in a broader cushion of profits for most companies. However, the entire savings therefrom may not be fully realized by reason of the highly competitive situation which is expected to take place in 1954.

Even though the normal corporation tax base is maintained at 52%—and I believe that it is generally felt that it will not exceed 50%—the corporation tax bill will be materially reduced.

The pattern of the stock market changed this year when a series of declines and subsequent rallies established a downward trend. The talk of a business setback probably led to a too bearish attitude by the middle of September in the face of the good third quarter earnings and nine months statements which were later made public. The market since has to some extent reflected these reports. The volume in the market has been fairly light most of the time and this in the face of increases of investment in common stocks by institutions, insurance companies, trusts and pension funds.

Neither the Federal Reserve Board Index of industrial production nor the stock market averages really reflect what has actually been going on. We have seen in 1953 a number of important industries such as oil, rubber, electrical equipment and steel enjoy a record-breaking year, while other industries such as textiles, rugs, drugs, movies, and distillers have had to face severe competition. The same diverse trends have been witnessed in the stock market. While the industrial averages reached a peak in January of this year, some groups such as steels, metals, and agricultural implements made their tops about two years ago. Others including electrical equipment, dairy companies and grocery chains have made their peaks in the recent recovery from the mid-September lows.

Leading stocks like American Can, many bank and insurance stocks, General Electric, DuPont and Union Carbide are near their tops for recent years as compared with more unfavorable levels for the run-of-the-mill speculative type of stock. How much is the action of the better grade issues due to demand from pension funds and institutions? Or, how much to the fact that well managed, well financed, well equipped and research-staffed companies have demonstrated a better capacity to produce earnings during periods of competition and to produce new products at a time when demand for old products may begin to lag? Or both?

It can, therefore, be seen that selectivity favoring the better quality stocks has paid off so far and until we know the extent of the expected decline in business activity, it is likely that emphasis upon quality stocks would continue to turn in better results over nearby months. A number of good quality issues have declined sufficiently to make them attractive for income or longer range growth. Others may not yet have fully reflected the impact of competition.

A Wide Spread Between Interest Yields and Dividend Returns

In many instances there is a wide spread between interest yields on corporate bonds and their common shares. The rates on tax-exempt municipal bonds have become attractive to many investors who look to net income. One source of deterrent to the stock market is the Federal Capital Gains Tax. Neither Canada nor Great Britain have such a tax and it has been so onerous in this country that normal investment decisions by individuals have been frozen into inaction.

There is a strong movement on foot at the moment to have the Congress reduce this tax which is now 26% to 13% and the holding period from six months to three months and a higher loss deduction. While the statistics are not definitely available, it is indicated that there will probably be a very small loss to the government in revenue if such legislation is enacted and possibly it may result, as it did when the holding period was reduced from 18 months to 6 months, in an increase in the revenue.

The increase in corporate debt may prove to be serious. In former booms corporations sold equities to reduce their debt while the reverse is taking place in the boom which now appears to be leveling. This must have, to some extent, been caused by the present capital gains tax.

My firm is not competitive with you. It is our policy before setting up a program for investment for prospective clients to warn them that they should have adequate insurance and a fund set up for emergencies. This policy of ours may have well been one reason for the substantial increased sales by you gentlemen in life insurance.

Now from what I have said you can make up your own minds as to what may happen next year, but you must realize that the population of this country is increasing materially and it has been estimated that in the next 20 years over $200 billion of new capital must be furnished to provide plants and tools for the 22.7 million additional employables.

So for the long pull, gentlemen, I strongly recommend that you *Invest in America*, but under no condition sell it short.

Business in a Growing America

By HON. SINCLAIR WEEKS*
Secretary of Commerce

Asserting "this Administration believes in business," Secy. Weeks decries "favorite sport of false guides," who slander big business. Says business—small and large—contributes to well-being of all and entire American public has a special interest in business. Scores objections to honorable businessmen serving in government, and points out Administration's programs are to encourage private business to succeed. Decries "Robin Hood Government."

For months more Americans have been earning more money and spending more money than have a similar number of people anywhere on earth or in history.

Sinclair Weeks

Why? Because of the universal craving of the American people for self-betterment and the knack of Americans in developing and expanding our unique competitive enterprise system. This system is America's highly successful way of putting together our resources—raw materials, know-how, and energy—to satisfy the material needs of men, women and children in a growing America.

Look at this system's marvelous growth and limitless possibilities. A century ago our entire output of goods and services, valued at present prices, was around $7.5 billion. As this year ends, it will set a world's record of close to $370 billion. And 1954 will be another good year.

Compared to 100 years ago today we find seven times as many Americans working little more than half the hours and producing about 50 times as much.

In 1853 machinery did only 5% of the nation's work; manpower and beasts did the rest. Today the figures are exactly reversed with machinery, powered by steam, oil and electricity doing 95% of all the work.

All our past foretells our future. You young people here today will live to see greater growth and greater marvels from the push-button system, using atomic and solar energy — the system described by the new word automation.

The Industrial Revolution freed ordinary men and women from the bondage of heavy toil. High speed automatic machinery promises more and more to release them from the tedium of dull, routine tasks.

This is the private enterprise system that is giving Americans more security, more happiness and more freedom than any devised by man. Yet our home-grown Socialists would exchange it for one tied to the apron strings of government and Communists everywhere in the world envy, fear and hate it and would utterly destroy it.

Why is our system superior to Old World capitalism with its self-imposed restraints, cartels and fear of competition? Why is it better for ordinary people than behind the Iron Curtain where the things people need and want decrease, while their slave chains multiply?

Why? Because the dynamic American brand of capitalism gives 160 million Americans infinitely more than any system known to man.

Here all of us have a chance to get and do what we like. In our flexible society every boy starts with an opportunity. If he has the stuff, there's no limit to the progress he can and generally does make. Our system places no bounds on individual freedom. It is the wonder of the whole world.

You and I believe in that private competitive system because of its proven worth. My job as Secretary of Commerce is to defend and foster that system.

This Administration Believes in Business

This Administration believes in business. It recognizes the great value of business to everyone in this country. To the members of the Eisenhower Administration business is much more than the machine, the order blank and the dividend—important though these material factors are.

Business is people. Business is the mason with his trowel—the worker at the lathe — the truck driver transporting goods — the salesgirl in the country store—the shoe-shine boy and others in the service trades—the manager figuring ways to increase consumption—all the millions of workers earning their livelihood from business.

Business belongs to people. Owners of the American Telephone and Telegraph Company include 265,000 of its own employees—one out of every five stockholders. In Sears, Roebuck about 115,000 employees own or are purchasing stock. They hold one-fourth of all the stock.

Millions benefiting from employee pension plans are in the ownership field for reports indicate that a large percentage of these funds is invested in equity stocks of industrial corporations. Owners of business are the more than half of all the families of America with savings accounts, and the four out of every five families of America with life insurance policies—whose funds directly or indirectly finance business.

The people create business, support business and enjoy its fruits. The real boss of business is the customer. When any business ceases to satisfy the people, they stop buying its wares and the business goes broke.

Thousands of communities in this country are built around some particular business, a big or little. Look at such a community. The X Y Z Co., humming away at top speed, the stores doing a rushing business, the bank and the barber raking it in, the taxi driver on the go, the lawyer busy, the local paper selling ads and increasing its subscriptions.

Now the business is down—permanently or temporarily — and down goes the community with it in a chain reaction that has no limits. What fools are those mortals who think they serve the people by hounding, damning, and hamstringing business.

One of the favorite sports of these false guides, who seek to disrupt national unity in order to profit from class warfare, is to slam and slander big business — as though size in and of itself were harmful to the people.

If that specious reasoning were correct, many modern developments—fraternal societies, labor unions, farmers' cooperatives and many others—would stand condemned, for these, too, naturally are big in a growing population of 160 million.

The detractors usually are too blind to see or too prejudiced to admit that the organizing skill of large corporations brings together capital, research, plant and machinery—beyond the means of individuals of groups of individuals. All these create employment for millions of men and women and job opportunities for youth. Suppose the wrecking crew succeeded in destroying big companies, what tragedy for workers' families would result as countless jobs were swept away in the ruin.

Only from large combinations of venture capital and know-how is mass production possible with its output of television, radar, window glass, autos and innumerable blessings enjoyed by the families of millions of Americans.

Had our big enterprises not played so important a part in producing a gigantic stream of weapons, including atomic devices, our free people—like the lost souls of Red Asia and Eastern Europe—today might be doomed to slave camps and mass graves.

In view of the military might of communism, how safe would be the future of our children were the productive capacity of big business not one of our great industrial weapons?

Big business is big because it has a big job to do for America. Big business, like every human institution, has some goats among the sheep, and decent businessmen will be the first to point them out. But, for slogan-slingers to try to poison Americans against an institution which creates jobs for millions, spreads modern conveniences among millions and forms one great bastion of national defense, is doing harm to all Americans.

Some critics also hold up small business as an object of disdain and animosity. Worthy entrepreneurs deserve commendation rather than rebuke. Often on a shoe-string an ambitious young man develops a new idea or provides a service which expands employment until eventually the acorn becomes an oak.

America would have been the land of lost opportunities, if down through the years these small businessmen had not had the vis-

Continued on page 9

*An address by Secy. Weeks at the Luncheon Session of the 58th Congress of Industry, sponsored by the National Association of Manufacturers, New York City, Dec. 2, 1953.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Canadian Pulp & Paper Industry—Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y.

Canadian Securities—Monthly Bulletin—Ross, Knowles & Co., 330 Bay Street, Toronto, Ont., Canada.

Check Your Financial Goal—Booklet listing various investment objectives and how they may be planned for according to the needs of the individual—Massachusetts Life Fund, 50 State Street, Boston 9, Mass.

Equities for Investment—Tabulation of suggestions by industries—Bruns, Nordeman & Co., 60 Beaver Street New York 4, N. Y.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Public Utility Common Stocks—Tabulation—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Railroad Stocks: Tax Loss Exchanges — Bulletin No. 147 — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Rails—Review—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Tax Exempt Yields—Slide rule designed to compare equivalent taxable and tax-exempt yields, with an explanatory memorandum—Kaiser & Co., Russ Building, San Francisco 4, Calif.

Todd Theory—Brochure with 18 charts, complete with rules, calculations on coming price action in conformance with the price projections of the "Todd Theory"—$25—F. Payson Todd, Todd Building, Ox Pasture Hill, Rowley, Mass.

Transactions of Listed Stocks on Tokyo Securities Exchange Through the Over-the-Counter Market—In current issue of Weekly Stock Bulletin — Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Whiskey—24 page booklet, illustrated, on facts about whiskey—Booklet, Schenley Distillers, Inc., P. O. Box-331, New York 46, N. Y.

* * *

American Can Company—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Bondstock Corp. — Memorandum — Frank Russell Co., Russ Building, Tacoma, Wash.

Cities Service—Bulletin—E. F. Hutton & Company, 14 Wall Street, New York 5, N. Y.

Federal Machine & Welder Company—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Glidden Co.—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C.

Great Northern's Iron Ore Business — Analysis — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Guaranty Trust Co. of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Investors Diversified Services, Inc. — Study — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Metal & Thermit Corp.** and the **Municipal Market.**

National Distillers Products Corporation — Analysis — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is a bulletin on **Boston & Maine Railroad, Chicago & Northwestern Railway, International-Great Northern Railroad, New York, New Haven & Hartford Railroad** and **West Jersey & Seashore Railroad.**

Pressed Steel Car Co., Inc.—Bulletin—J. R. Williston, Bruce & Co., 115 Broadway, New York 6, N. Y.

Riverside Cement Company—Analysis—ask for report T-31—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Rosefield Packing Co.—Memorandum—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif. Also available is a memorandum on **Security First National Bank of Los Angeles.**

Union Service Corporation—Descriptive booklet on organization developed by a group of investment companies to handle investment and administrative problems—Union Service Corporation, 65 Broadway, New York 6, N. Y.

Continued from page 8

Business in a Growing America

ion and the grit to make and sell things. Today they are still the essence of our system. Often with limited financial resources and beset by handicaps created by others, sometimes including government, they drive themselves to ulcers in order to keep going and keep employing the workers of more than 90% of all American enterprises.

Business — small and large — contributes to the well-being of all Americans. What advantage can business receive that is not eventually shared with workers in the form of wages and with customers in the form of better goods at lower prices?

America needs both big and small business. Big manufacturers stimulate the growth of small suppliers as well as of small retailers that sell their products. Big distributors rely on numerous small manufacturers to supply them with goods. In each case workers and consumers alike benefit.

In modern society business and labor sink or swim together—and just so fast as both groups realize this truth and act on it, both will be better off and the public in turn will benefit.

You and I have heard the left wing oracles and politicians sneer at the phrase "special interest"—as though it were the vested interest of the privileged few.

All Have a Special Interest in Business

I maintain—and herewith submit the evidence—that the entire American public has a special interest in business because business success increases national well-being and business slump could mean worry and misery for all Americans.

(1) Those who save have a special interest in business success: It provides a return on the invested funds of the thrifty—plain ordinary people as well as those with means—who have set their savings to work to earn something extra for themselves.

In the process they create jobs by financing plant and equipment. It costs about $10,000 to supply the tools for the average worker. So instead of reviling owners, the real friends of workers will recognize that savers are indispensable to labor.

(2) Customers have a special interest in the success of business: Business serves its customers. Businessmen by turning science to economic ends, by modernizing obsolete plant, equipment, and methods, and by increasing productivity are constantly turning out newer and better products at cheaper prices. Business could not do that for customers if it were not prospering.

Approximately $3.5 billion will be spent in America for research in 1953. The Patent Office at the Commerce Department in the first nine months of this year has received 58,900 patent applications, an increase of 8,000 over the same period last year.

To take advantage of the baby boom, one inventor recently patented a device to scientifically spank a child with an adjustment lever on the machine to keep it from paddling the youngster too hard.

Business ingenuity has given workers' families as necessities items which in other lands are considered luxuries.

Business continues to think up ways to supply old demands and awaken new desires because consumption not only satisfied customers but helps furnish the purchasing power to keep our standard of living steadily on the upgrade.

(3) Labor has a special interest in the success of business: Today 62 out of every 63 employable workers have jobs—the highest on record. There is no overtime in a failing factory and no pay checks in a closed mill. The wolf of worry can only be kept from a worker's door by his confidence that the boss can supply him with steady work.

If for any reason the bough of economic stability ever breaks, down goes business, labor and all. That being so, labor has a special interest to do its part in maintaining economic stability.

In addition to the attacks leveled at private business, a heavy barrage is being thrown right now at businessmen in government.

Defends Businessmen in Govt.

Certain critics, who never objected to associating with crooks and Communists, are objecting to honorable businessmen serving their country. Others from a self-interest, which seeks personal advantage from fanning the dying embers of class struggle, also are joining the anvil chorus. Still others, who hope to slip back into national power and influence, are trying to kid the public again with cracks about business moving in on the government and kicking out all the rest. This last I call unadulterated hokum.

The relative handful of able and public-spirited businessmen is working in government today shoulder to shoulder with representatives from agriculture, labor, science, engineering, law, medicine, and other segments of society and with members of the career service. They are building in this country a sound, humanitarian, forward-looking government for all the people without the squandermania of spendthrifts, the shame of corruption or the taint of subversion.

The foundation is sound and as the edifice presently under construction takes shape, the American people will definitely like what they shall see.

These conscientious men and women from all branches of American life are today in Washington solely to put something into good government instead of trying to get something out of bad government. As for myself, I am proud to be on the team with them.

Not "One Class" Administration

Ours is not an Administration of one class, one geographical area and one deal. Our special interest is the American people — all of them, regardless of creed, race, color, national origin or job. And I challenge anyone to dispute that claim.

Our concern is for the people's survival in a war-threatened world—their retention of the private enterprise system—their future in what we hope to keep, a free country prosperous and at peace.

This Administration's policy is NOT government in control, in which private enterprise abdicates its responsibility or is taken captive by Robin Hood government.

Our policy is government in support, ready both in normal times and in emergencies to act for the national welfare and to do whatever is necessary which private enterprise is unable or unwilling to do alone.

Our program is to act so as to encourage private business to succeed and thereby to spread economic well-being to as many people as possible.

Our program also is to act through legislative and executive enterprise so as to improve the lot of still more people.

Such partnership is decidedly different from yesterday's paternalism.

In past years whenever or wherever any question—even of minor consequence — arose, the government would label it a crisis. Undigested legislation would be rushed and rammed through the Congress. A new, sprawling bureaucracy would be set up.

Businessmen would be called in and then pushed out. Red tape would settle over the industrial community like ticker streamers after a national hero's ride up Broadway. Huge new appropriations would be frittered away on the new agency. And from the blaring megaphones of government press agents would come the phony news that here was a definite concrete program with gift wrappings.

The public soon sickened when the tax bills came in for a show which often started from red ideas and nearly always ended in red ink.

We do not intend to copy the sort of spendthrift stunt which often fools the public and fails to tackle causes or to get satisfactory results. We prefer more practical methods which get at the root of the trouble and actually solve a problem as fast as is humanly possible.

Progress Made by Administration

And in this vein it seems to me that this audience naturally must be interested in the tangible progress this Administration has been making during the ten months it has been resident in our Capitol City. Here is a brief summary of actual accomplishment:

(1) A climate favorable to business has most definitely been substituted for the socialism of recent years.

(2) Price, wage and material controls have been removed.

(3) Thirteen billion dollars have been slashed from requested appropriations.

(4) An honest dollar has been restored and is being kept.

(5) Inflation has been checked and the cost of living which soared 12% from 1950-1952 has inched up only 1.3% since January and is leveling off.

(6) Excess profits taxes have been scheduled to end and income taxes will drop 10% on Dec. 31 as promised. Other tax changes will be of a constructive nature.

(7) A start has been made towards taking Uncle Sam out of competition with private industry. In commerce we have sold the Federal Barge Lines. The RFC is in liquidation. Authority has been granted to liquidate the Government's investment in synthetic rubber plants. And more of the same to come.

(8) One thousand five-hundred security risks have been cleared off the Federal payrolls.

(9) Anti-discrimination clauses have been written into Federal contracts.

(10) The Randall Commission has been set up to study and recommend a course of procedure in foreign trade and investment abroad.

(11) Federal agencies are being reorganized for economy and efficiency and for the elimination of duplication and waste which abounds in our National Government.

(12) A stronger national defense at less delay and cost has gone forward and military shipments speeded to NATO.

(13) Berlin has been given food gifts, causing Reds' worst propaganda defeat in years.

(14) Bloodshed has been stopped in Korea. The Armistice negotiations, Vice-President Nixon's tour of Asia and the Bermuda Conference are the latest steps towards a just and lasting peace.

(15) Business confidence in the Administration has helped make this the most prosperous year on record—with the prospect of another good year in 1954.

Here it seems to me is some evidence of progress in the solution of grave problems and the restoration of sound and efficient government for the service of the people of this country.

On the walls of the Commerce Department's auditorium are the words: "On land and sea the lanes of man's commercial enterprise mark the progress of civilization."

To me that is an inspiring inscription. It spells out a lesson which some of the Doubting Thomases, glib-tongued critics, and all-out haters of our system would do well to learn.

Business in a growing America is more than the machine and the product. It is a great human instrument for increasing well-being at home and some day—we fondly hope—for helping to unite the peoples of the entire world in bonds of friendship and peace.

COMING EVENTS

In Investment Field

Dec. 18, 1953 (Los Angeles, Calif.)
Security Traders Association of Los Angeles Christmas Party at the Hotel Statler (Buffalo & New York Rooms).

Jan. 14, 1954 (New York City)
Advertising in Action Conference at the Waldorf-Astoria Hotel.

Jan. 22, 1954 (New York City)
New York Security Dealers Association 28th annual dinner at the Biltmore Hotel.

Jan. 29, 1954 (Baltimore, Md.)
Baltimore Security Traders Association Annual Mid-Winter Dinner at the Lord Baltimore Hotel.

May 7, 1954 (New York City)
Security Traders Association of New York annual dinner at the Waldorf-Astoria.

June 9-12, 1954 (Canada)
Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

Politics Point to Extension Of Farm Price Support

By E. L. BUTZ*

Head, Department of Agricultural Economics, Purdue University

Asserting it is increasingly apparent that the farm situation will be major issue in the 1954 Congressional election campaign, Dr. Butz predicts the forthcoming "Agricultural Act" will result in essentially an extension of the present farm price support program. Says this is desirable from many points of view, but holds some day the economic unsoundness of present method of farm price supports will be driven home so forcibly that public will demand a revision. Concludes "we must pull for a flexible program, adopted to our changing needs" and one which will keep up production.

American agriculture is in danger of being sacrificed on the altar of partisan politics. The object of the sacrifice will be to curry favor of the Goddess Victory in the 1954 Congressional elections.

Earl L. Butz

The rush of many politicians, in both political parties, to jump on the bandwagon of high farm price supports reflects not nearly so much their genuine concern for the long-time welfare of American agriculture as their desire to control Congress in 1955.

It now appears likely that the "Agricultural Act of 1954" will be essentially an extension of the present farm price support program. The Congress will likely postpone for another year or two the inevitable day of reckoning when it simply must face the hard economic fact that the present program of price supports is completely unworkable, from an economic point of view, in any prolonged period without major war.

It is becoming increasingly apparent that a major issue in the 1954 Congressional election campaign will be the farm situation. It is probably good politics on the part of the party out of power to keep this major area of unrest pretty well stirred up. Therefore, the political tempo on the agricultural front will become intensified as the winter wears on. As a result, it will be difficult, if not impossible, to get any agricultural legislation in 1954 that is not dominated almost completely by partisan political considerations.

It would be desirable, from many points of view, if the Congress which convenes next January would pass a one-year extension of the present farm price support program, with little or no alteration from the present system. This would permit an additional year for study of a sound farm program. But more important than this, it would postpone formulation of the "permanent program" until the off-election year of 1955. This would enhance the chances of an economically sound program.

The farm program has become one of the really big issues in American government. Agriculture and big government have formed a permanent alliance. The extent of the alliance becomes broader with each passing week. The basis for the alliance runs deeper than the particular politics of the Administration in power in Washington.

Many people who voted for a change of Administration a year ago thought they were voting for less government in agriculture. It is true that we now have a President and a Secretary of Agriculture whose personal philosophy opposes big government and favors individual initiative. Yet ten months after the inauguration of last January, we still see the United States Department of Agriculture up to its ears in farm programs of one kind or another. Many of these programs continue to be knee deep in partisan politics.

We currently have a governmental situation in which Secretary of Agriculture Ezra T. Benson and practically all of his top staff favor curtailment of governmental activities in agriculture. But the majority of Congress is not convinced that farmers themselves want less governmental participation in agriculture, and Congress is still the top dog with respect to policy making. Therefore, we find ourselves temporarily in a position where the economic philosophy of those who administer the U. S. D. A. is at variance with the political philosophy of the Congress. While we may temporarily slow down the growth of governmental participation in agriculture, the long-time trend appears to be for more and more. In recent weeks, it has been apparent that the philosophy of the administrators of the Department of Agriculture is moving closer to that of the Congress, simply as a matter of practical politics.

The Agricultural Committee of the House of Representatives recently completed a "fact finding tour" which took them into major agricultural regions of the United States. Committee Chairman Clifford Hope of Kansas is basically a high price support man. So are other influential members of his committee. He hails from the important wheat-producing State of Kansas. He is a skillful and influential agricultural leader in the Congress. It is anticipated that when the Congress convenes next January his committee will take its position on the side of continued high price supports. They will probably even urge broadening of the present base for farm price supports. This inevitably means continued production controls, marketing quotas, surplus disposal programs, and other such programs associated with high level price supports.

Early Farm Programs Were Bipartisan

In early years, agricultural programs at the Federal level were largely bipartisan. Congress may have decided geographically on issues involving agricultural subsidies, but it seldom divided politically. This was also true during most of the Roosevelt Administration. However, with the development of a strong pressure group in agriculture composed largely of personnel employed by the agricultural agencies in government itself, as we saw during the previous Administration, it was inevitable that agricultural programs and policies should be thrown into partisan politics. For the long-time good of American agriculture, farm programs should again become bipartisan in character. An important step in this direction has been made in the

Continued on page 42

*Summary of an address by Dr. Butz before the Second National Agricultural Credit Conference of the American Bankers Association, Chicago, Ill., Nov. 17, 1953.

THE MARKET . . . AND YOU

By WALLACE STREETE

After forging further into the overhead resistance than previous rallies were able, the stock market this week backed away again but not before reaching levels in the industrials at least that haven't been seen since early last March. It was a notable performance in the face of all the dire business estimates, but has still failed to set off and of the technical "signals" to reverse what is generally conceded to be a bear swing.

The blue chips that have been so predominant in the leadership for so many months turned the chore over to a rather diverse group of issues, with such as Armstrong Cork, Carrier Corp., Johnson & Johnson, American Colortype and Visking Corp. standing out by posting new highs, most of them rather repeatedly in the trading of the week.

* * *

Rails Again Peter Out

Rails did little decisive, their attempt to get into the swing of things petering out quietly. There was a rather noticeable disposition to take profits on mild improvement as well as to unload, once the dividend payment was garnered. Consequently both the quality end of the carrier section as well as the speculative end were laggard. One rather prominent exception was Western Pacific which, aided by the Supreme Court refusal to upset the $17,000,000 tax suit, added a handful of points in the week's initial session. With no official announcement around on which to dwell, the guessing on use of the $10,000,000 reserve fund set aside during the litigation ranged from a retirement program for the preferred to help in the improvement program underway for some time.

* * *

The weak group of the week might well be the office machinery makers. Obviously the rather drastic trim in the Smith-Corona quarterly from half a dollar to 15 cents was hard to shake off. But even without the hurt of the official news, the group had been sick rather consistently, with Royal Typewriter sinking into new low territory at a price around half of its 1946 best. Underwood Corp. some time ago sold down below half of its best of the wartime bull swing.

* * *

One of the groups, apart from the textiles, where lots of the more optimistic have looked repeatedly—in vain—for signs of an upturn, has been the meat packers. They have bobbed up a bit from time to time but generally without enough of a spread to make trading profitable. Lately, however, Swift has put forth a better mien. It erupted into new high territory this week with fair determination but still without inspiring much enthusiasm elsewhere in the division. For the single issue it nevertheless was something of an achievement because the peak price reached set a new all-time high by eclipsing both the 1946 and the 1929 tops, which is no mean achievement in what's considered a casualty group in a market far from record-breaking.

* * *

A One-Day Wonder

American Woolen was something of a one-day wonder in the depressed textiles. A fast rumor that plans were being worked out to split the company into northern and southern companies, plus the expectation that the southern unit ought to show some good figures, brought spirited bidding for the issue. Here again, the trading was done without any official confirmation. In particular, the preferreds—which bore the brunt of speculation over whether the dividends were secure—bounded ahead well.

* * *

The Plunging Tobaccos

The trouncing given the tobaccos was a bit more than a one-day wonder, what with such leaders as American Tobacco and Reynolds plunging violently into new low ground. It was one of the most concerted moves by any major group in some time, and was attributed to the latest medical reports over the possibility of cigarettes causing lung cancer. Ironically, the tobaccos were one of the few groups to show good stability through all of last year and this; joining only the utilities, foods and electrical equipments in this select category.

* * *

The market continued to give both bullish and bearish signs — depending on what issues were checked—in most of the major groups. Even in the utilities, while Rochester Gas was distinguished on the strong side this week. Columbia Gas was a disappointment. One of the services, pointing this divergence up specifically, was able to cull out two companies in each of 26 major divisions that showed opposite paths for the last 18 months. The "bull" issue of the motion pictures, for instance, showed an improvement of 41% in the year and a half, while the

"bear" one dropped 24%. Similarly in the rails, one issue is up 46% while the carrier casualty is off 14%. Even in the textiles, the best acting item added 17% to its value, while the laggard dropped 20%.

* * *

Surprisingly, despite the seesawing generally and the fact that Chrysler dropped more than 30 points since the beginning of this year, over the longer period Chrysler shows only a 11% dip while General Motors, down more than 20 points from its 1953 high, still maintains a modest 9% improvement over its mid-1952 level.

* * *

The Institutional Blue-Chip Prop

Analyzing the rebound from the September lows shows the same pattern, at least up to now, of a handful of blue chips accounting for most of the improvement in the averages. A striking number of sizable improvements in that time is concentrated in issues selling at $50 or above. The common stocks in this group comprise only 10% of the list while for the other 90% it has been a case of only mild improvement.

* * *

This leads fairly conclusively to a surmise that the main prop of the market in its comeback has been the institutional demand. But it injects an uncertain element in the market that in many ways has kept it from acting in the best traditions. Any pickup in public interest now, on top of the investment demand, could be reflected promptly with even a possibility of new highs in the averages before the year is out to cancel the bear signal now in force. But if the portfolio rearrangement runs out, the habitual year-end rally easily could fizzle out and chill sentiment. As a matter of fact, it would be a second straight disappointment in one of the market's strongest seasonal traditions since last year's investment rally lasted only one normal business day into the new year before collapsing.

* * *

Consequently, the analysts have more or less held their positions whether on the bull or bear side. The situation is one of watchful waiting at the moment. Industrials have yet to work through the 280-85 resistance band while the rails at their best reached back only to the levels attained in August when a similar attempt to punch through this abnormally strong resistance area came to an early grief.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

The Picture Horizon

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A wide screen look at trends in motion pictures, with some projections as to profitability.

The adjectives, colossal, titanic, stupendous, so often used to describe a feature photoplay, definitely cannot be applied to the market action of movie stocks. Fact is they have been among our most sodden class C performers on the exchanges, and, since 1946, the industry has (you'll pardon the expression) been reeling under a series of blows that have made a speculative type of enterprise, more speculative than ever.

Ira U. Cobleigh

For an 11-year period from 1936-46, the cinema, having recovered from the depression (one D that time—not 3-D!), was a box office and balance sheet success. Attendance rose and even "so-so" pictures could provide adequate returns on their production costs. Lulled by all this good hunting, the industry, which had almost made a cult of extravagance, went along its merry way paying in the hundred thousands for stories, and staking its Rolls-Royce ridden stars to haciendas and hideaways, glamour and amour, togs and dogs, oil wells and ermine.

1947, however, started to put back-spin on all this prosperity. First off, England posted a nasty and almost confiscatory tax on showings of U. S. pictures; and currency exchange restrictions in many countries gave movie earnings abroad (as they almost say on the radio) "that blocked-in goodness." Then television, kept under wraps during the war, blossomed out to create a major threat to movie going. Finally, the public waxed more selective in its taste, demanding better quality pictures; and it became increasingly allergic to the rising level of admission prices.

The Retrenchment Era

So the 1947-49 period gave the cost accountants in the movie trade, top billing. Salaries were slashed, shortened contract terms were offered to many stars, studio costs and personnel were pared, quality was up-graded. Fewer pictures were turned out; and as a further saving, a number of pictures began to be produced abroad. Thus, by about 1950, cost and production elements were under far better control; but two new problems had attained major status. Anti-trust laws required the severance of film production from motion picture theatre chains; so the formation of independent companies for playhouse ownership and operation became imperative. Secondly, TV had grown from city to city and advanced from introductory installations in bar-grills, into homes, by the million. Hence, the inroads of competition, rather than the costs of production, became the major challenge to profitability.

Trade Stimulants

What to do. Well, one technical advance that seemed to offer high hopes was 3-D. Cinerama's introduction in 1952 was little short of sensational (its common stock ran from a dollar or so up to over $8 in a few weeks; it's $2¼ right now). Surely, it was thought, TV could never offer pictures and sound in depth (as well as color); and the public would, spurred by this new movie magic, revert to its movie going habits. There was, indeed, some resurgence impelled importantly by novelty appeal. There were also some imperfections and impracticalities in the 3-D techniques. Few neighborhood theatres were designed for, or could, with certainty, afford, wide screens; and some of the pictures were hastily created to hit the market, and except for their optic innovation, were class B productions (or lower), in anybody's book.

After Cinerama led off, other variations of dimensional pictures appeared. One such requires viewers to use polaroid glasses. This does away with the need of a special screen, but the glasses have proved rather unpopular with the public; and this system appears unlikely to be the one ultimately adopted. Apparently meeting with considerable success is the Twentieth Century-Fox CinemaScope, which employs a wide lens, an extra broad screen, and something they call sterophonic sound, which means that the sound appears to come from where it should, in real life. "The Robe," produced in CinemaScope, is widely acclaimed, and Warner Bros. has recently announced in favor of the CinemaScope method.

This deal in breadth may be the answer for the big city playhouses, but it still leaves dangling the question of the future of neighborhood movies, some 5,000 of which have shuttered in the past three years. While this debit has been somewhat offset by the opening of several hundred outdoor movies, the competition of home TV is still ominous.

TV Movies—At Cost

Some companies have entered television themselves. There are now three systems offered to make the home TViewer buy a movie ticket, to see an exclusive feature presentation, with no commercials butting in.

On Nov. 28, in Palm Springs, Calif., Paramount offered to 70 families a pre-T-View of "Forever Female" via its 50% owned Telemeter Corp. Each set owner beamed in, paid $1.35 into a coin box. Paramount will make other pilot tests of this, and is optimistic about its pay-as-you-see TV, for feature films.

Another version is Zenith's Phonovision, involving, I believe, delivery of the picture to you over a telephone circuit; and a third, Skiatron, brings the picture to you, only after you insert a specially keyed or perforated card into a slot in your set. All of these are based on the age old strategy, "If you can't lick 'em, join 'em." Further, much success has been reported by obtaining exclusive TV rights for sport events by theatres and charging admissions. All are promising steps geared to pick up the motion picture buck that used to go to the local playhouse.

It is still difficult to predict just how all these things will work out on the earnings statements of the leading companies. Less likely are the movies to back-slide in 1954 than many other lines, for the simple reason that they've had their own six-reel recession since 1946. Such popular items as "From Here to Eternity," "Roman Holiday," "The Robe," prove that a fine picture can still draw people and earn money; and suggest that sustained quality of production is the most promising route to restore movie earning power.

This article, which was designed rather as a panorama than a close up, will hardly permit extensive review of individual units but a few topical notes are jotted down for you, below.

Some Industry Leaders

R. K. O. Pictures, which has been losing money for the past two years, has also had shifting management and control; and would probably be ranked as the most hazardous equity in the field.

Columbia has an obvious winner in "From Here to Eternity" and its "Caine Mutiny" coming up looks like an earner.

Warner Bros. showed per share net of $2.58 in 1951 and $2.86 in 1952 and leads the trade in this department. Current dividend is at an annual rate of $1.20 and at a price of 13 the shares would appear to yield about 9.20%.

Republic is not on a dividend basis. Universal pays $1.00 currently and earned over $2 in both 1951 and 1952. It was a hot shot earner during the war. Loew's, Inc. is the only major still facing the problem of theatre chain divestment. 1952 per share net was about a dime above the indicated present dividend rate of 80 cents. Twentieth Century-Fox has had rather thin dividend coverage, but should do better this year.

Probably the most solid value among producing companies is Paramount Pictures which has an important stake in TV through its 50% interest in Telemeter, above referred to, and a substantial slice of DuMont Laboratories. Further, Paramount, although it sloughed off its domestic playhouse units, still owns, and benefits from, an extensive string of theatres in Canada. Paramount has a strong balance sheet and an impressive earnings record, averaging, on a per share basis, $2.98 for the 11 years 1942-52. At 27, and paying $2, Paramount yields 7.4%.

Of the divested playhouse corporations, by all odds the best earning unit is American Broadcasting-Paramount, paying $1 against 1952 per share of $2.11.

"The Sun Is Rising"

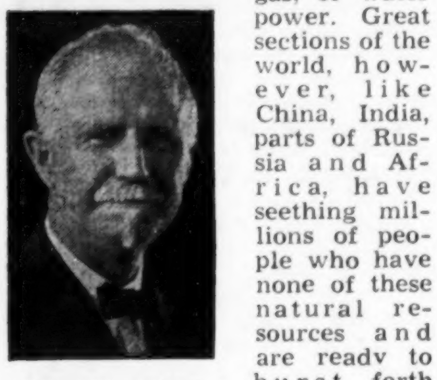
As for the current picture, 1953 started off like playhouse afire, fanned by hope for repeal of the 20% amusement tax. When this was vetoed, movie equities found it easy to join in the general stock market decline. More recently, the leaders have shown a little strength, spurred by some pick-up in attendance, and generally improved current earning power. It does not seem logical to expect fancy market fireworks from this section of the stock list, but a series of really fine pictures might have the citizens *queuing* up again like they did for "Snow White" and "Gone With the Wind"—with correspondingly favorable effect on dividends and share prices. The picture horizon can show the sun rising as well as setting.

Dreams of the Future

By ROGER W. BABSON

Mr. Babson lists "as dreams of the future": (1) use of atomic energy for peaceful purposes; (2) great advancements in electronic industry; (3) coming availability of hormone drugs which will regulate personality, ambition, and persistence, and (4) use of artificial photosynthesis for increased food supply. Foresees successful harnessing of gravity.

I dream of the use of atomic energy for peaceful purposes in parts of the world now supplied with coal, oil, electricity, natural gas, or water power. Great sections of the world, however, like China, India, parts of Russia and Africa, have seething millions of people who have none of these natural resources and are ready to burst forth into revolution. But atomic energy, whereby the equivalent of a shipload of coal can be taken in a small cup, enables power to be enjoyed in every part of the world.



Roger W. Babson

I dream that the electronic industry has a great future. This will enable us to operate with much lower labor cost. The electronic industry is yet in its infancy. In fact, it will not come fully into its own until we learn to harness solar energy or gravity.

I dream about new brain drugs which may some day be available. I especially have in mind hormones which regulate personality, ambition, persistence, etc. During the past centuries drugs have been used to relieve pain and to cure physical diseases. Laboratories have almost eliminated T. B., typhoid, diphtheria, and other killing diseases. The new drugs are destined to improve our brains, memory, ambition, stick-to-itiveness, self-control, and other qualities which make for success. Diet is another interesting subject about which I dream. People are already dieting to reduce weight; but I visualize changes in diet which, combined with electrical and other treatment, will do something far greater. They may revolutionize our entire educational system from the primary school up to college. Present teaching methods may become obsolete.

Photosynthesis covers another subject about which I dream. This refers to the conversion of carbon dioxide, water, air, light, and chlorophyll, combined with certain minerals, directly into food, making it unnecessary to plant and cultivate. Sunshine and these free chemicals now develop the fruit on our trees, vegetables which we have for dinner, and the wheat and corn which are our staples. There is no logical reason why a short-cut could not be found for doing this work directly without cultivating, harvesting, and canning. What the du Ponts have done to put the silk industry and mulberry trees out of business, future chemists may do to the fruit growers and the market gardeners.

Another subject about which I dream is the possibility of making electricity directly from coal and oil. A company controlled by our present Secretary of the Treasury has already taken out a patent for making electricity directly from coal. This is a development which would greatly reduce the cost of living and raise the standard for everyone.

The elimination of agricultural and other pests by electronic sprays and shock treatment, instead of by using the poisonous sprays employed today, is a possibility. Present poisonous sprays are not only expensive but they kill the birds as well as the fungus. I dream that the time is coming when our spraying will be done with electronic waves rather than with poisonous chemicals. Perhaps such electronic waves will take the place of pills and medicines in the treatment of human diseases.

If I were a young fellow today I would devote my life to the study of the firefly. Remember that the electric bulb wastes more than 95% of its power on heat. Less than 5% of the electricity for which you pay develops into light.

I dream that inspirations may be manufactured synthetically. We know that some men have great personalities. They have become great orators or teachers. The time is coming when a broadcaster will be able to make an audience laugh or cry by the pressing of a button, without uttering a word. This has great possibilities in connection with international propaganda, political campaigns, and department store sales.

Einstein is working for one formula for gravity, electricity, and magnetism. I dream that the time is coming when gravity will be harnessed the same as electricity is now harnessed. I dream that every household and small factory will probably get free power and certainly free heat. They are now waiting only for the discovery of a partial insulator or reflector of gravity.

R. W. Pressprich Co. To Admit Partners

R. W. Pressprich & Co., members of the New York Stock Exchange, on Jan. 1, will admit George P. Morey and Samuel A. Wallace to partnership. Mr. Wallace will make his headquarters in the New York City office, 48 Wall Street. Mr. Morey will be in the Boston office, 201 Devonshire Street.

Charles V. Smith With Clark, Dodge & Co.

Clark, Dodge & Co., 61 Wall Street, New York City, members of leading securities exchanges, announced that Charles V. Smith has become associated with their municipal bond department. Mr. Smith was formerly with Harris, Hall & Co., Inc.

Hornblower & Weeks Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Robert C. Henson has been added to the staff of Hornblower & Weeks, Penobscot Building.

From Washington Ahead of the News

By CARLISLE BARGERON

The more practical Republican politicians were always more or less dubious about just what they were getting in General Eisenhower. With the majority of them his obvious vote appeal overcame their doubts as to what they would do with him once he became President. But if you want to have an amusing experience you should talk with them now as they try to analyze his recent utterances on whether or not Communism in government will be an issue in the next campaign. His first utterance lent itself to the interpretation that he definitely disapproved of its being an issue, and in such an interpretation could be seen a rebuke to his Attorney General, Herbert Brownell. But after Republican National Chairman Len Hall and other realistically minded gentlemen, presumably including Mr. Brownell, got to him, he made another statement to the effect that what he meant the first time was that he hoped his Administration would have made so much progress in cleaning house by the time the next campaign rolls around that Communism in government wouldn't be of interest to anybody. This time he said he was quite sure the "dynamic" program which he was coming up with would be the dominant issue.

Carlisle Bargeron

After this, the practical political minds really began scratching their heads trying to dope him out. What disturbs them is whether he is just striking a high-minded pose as befitting a man in such high office or whether he is just plain naive. They are not angry about it, they are just puzzled. It is doubtful if ever there was a higher-minded man in the Presidency than Herbert Hoover. But he never tried to sit on a perch quite this high. Mr. Hoover, for example, vetoed a bonus for the veterans of World War I and wrote a very logical and statesmanlike message explaining his veto. But he didn't wince in the slightest or feel aggrieved when the Congress promptly passed the bonus over his veto overwhelmingly. The members of Congress are more exposed to the voters than the Presidency. All reports indicate that Mr. Eisenhower still enjoys the affection and admiration of the people that he could undoubtedly win again next year if he were up for reelection, that quite likely he will win in 1956.

But that doesn't follow for the Republican members of Congress, either next year or in 1956. So you can rest assured that Mr. Eisenhower's "dynamic" program notwithstanding, you will hear in the next few months more about how the Democrats coddled Communists than any other single issue.

In this writer's opinion, it is a very legitimate issue. Many, if not most of our present problems, the national debt, Korea, the cold war, high taxes can be directly traced to the influence which the Communists and their fellow-travelers had with our government over the past 20 years. As just one example, we are maintaining at a tremendous expense a sounding board right here on our shores by which the Russians daily spread their propaganda. We call it the United Nations. We were tremendously flattered when the founders of the UN graciously selected us as the host nation. Were it located in, say Geneva, its propaganda impact on us would be appreciably lessened and furthermore, there wouldn't be the incentive of the Russians to make a propaganda vehicle out of it.

Well, how much did Alger Hiss, who had so much to do with the architecture of the UN, have to do with loading this thing on us?

It is difficult to think of a more effective argument against the Democrats returning to power than to keep alive the story of what they did when they were in power. Anyway, this is the attitude of the practical political minds but what has got them guessing is whether Mr. Eisenhower will use his prestige to belittle the issue and in so doing, run counter to them.

In doing this he would be performing satisfactorily to the so-called "leberals" who, to say the least, have a feeling of guilt about what has transpired and would much prefer, as they say, that we forget about the past and devote all our energies to dealing with problems which now confront us. A necessary way of dealing with present problems, it would seem, would be an understanding of how they came about. And while Mr. Eisenhower would get the plaudits of the "liberals" by pursuing their course he wouldn't get their votes.

He isn't likely to come up with any program which they will consider "dynamic." As a matter of fact, nobody else, not even his best friends, are likely to consider it "dynamic." It will probably be a worthy program in most respects and a necessary one in most respects. But it is difficult to imagine there will be anything "dynamic" about his approach to finances, the military or to agriculture. Mr. Eisenhower also is not what one would call a "dynamic" man. He can't roll the inspirational phrases like Roosevelt, certainly he isn't as bombastic and can't be as bombastic as Mr. Truman.

Lee Higginson Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — W. Marshall Galloway has become associated with Lee Higginson Corporation, 231 South La Salle Street. He was formerly with Bache & Co.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La. — Robert Blumberg is now with Merrill Lynch, Pierce, Fenner & Beane, 221 Convention Street.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Harry G. McAndrew has become associated with Goodbody & Co., 218 Beach Drive, North.

Three With Blyth Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Herbert L. Hill, Thomas E. Leafstrand and James H. Scott have joined the staff of Blyth & Co., Inc., 135 South La Salle Street.

Prospects for Interest Rates And Money Market in 1954

By ROY L. REIERSON*
Vice-President, Bankers Trust Company, New York

After viewing recent interest rate fluctuations, Dr. Reierson lists as factors for lower rates in 1954: (1) reduced number of housing starts; (2) reduced capital outlays on plant and equipment; (3) some liquidation of business inventories, and (4) modest decline in total volume of business. Says, however, because of offsetting factors, the interest rate decline is likely to be moderate. Looks for reduced bank loans in 1954 and some decline in real estate borrowing.

While the year now approaching its close will presumably be noted in financial history for the spectacular decline in bond prices and the tightening of credit in the spring, the more recent recovery in the government bond market and the easing of money rates has been no less remarkable. A review of the forces that brought about these wide swings in 1953 will indicate some major factors that need to be taken into account in appraising the outlook for 1954.

Roy L. Reierson

Interest Rate Fluctuations in 1953

The tightening of credit in the early months of 1953 was brought about by a combination of basic economic forces, the attitude of the monetary authorities, and public psychology. Business was moving toward new peaks, and the usual seasonal decline in the demand for bank loans failed to materialize. Corporate and municipal borrowers were bidding for large and growing amounts of investment funds, gold was leaving the country, and the Federal Reserve authorities were content to let economic forces tighten the market. Around the same time, the Treasury issued a 30-year bond, and it was believed that the Treasury would make more substantial efforts to lengthen the maturity of the debt in 1953. Also, the expectation began to spread that not only would the Treasury's deteriorating budget position entail more deficit financing than had previously been anticipated, but that these operations would be undertaken without assistance from the Federal Reserve. As a result, money rates and bond yields rose rapidly and reached a peak at the beginning of June.

Around that time, however, the Federal Reserve took action to ease credit. The authorities had begun to put funds into the market on a small scale as early as April, and intensified these efforts in the ensuing weeks. In June, they also announced a reduction in member bank reserve requirements. The Treasury in turn removed the immediate threat of further long-term borrowing by raising $5.9 billion through tax anticipation certificates. The market responded promptly by a sharp easing of credit and a firming of bond prices. And when the Federal Reserve in the latter part of August again began to inject funds into the market, this was widely interpreted as a definite reversal of the previous standoffish position and the adoption of an easier credit policy, particularly since business sentiment seemed to be weakening, and bank loans were expanding less than was customary at that time of year. The reduction of the discount rates in Britain and France was interpreted by some as an international movement toward easy credit.

Reflecting the change in market conditions, the Treasury's 30-year 3¼s moved from a low around 98½ to a late October high of 104¼, while the rate on new Treasury bills, which had been at 2.0% at the beginning of the year and had reached a June peak of 2.42%, in late October was down to 1.22%, the lowest in several years. Since then, money rates and bond yields have firmed slightly.

One result of these developments has been to widen again the gap between short- and long-term rates, which previously had narrowed significantly. At the present time, short-term rates are considerably lower than at the beginning of the year, and the yields on medium-term Treasury bonds are at about their January level. Long-term government and corporate obligations, however, are still selling at yields slightly above the levels at which they opened the year.

Factors in the 1954 Outlook

The wide swings in the bond and money markets in 1953 in the face of comparatively stable levels of production, prices and business activity emphatically illustrate the difficulty of attempting to assay the prospects for interest rates even under favorable conditions. However, it is probable that some of the factors that contributed to the extreme fluctuations in 1953 will be less influential in the coming year. Assuming some easing in the aggregate level of economic activity in 1954, the prospects indicate a moderate decline in interest rates from current levels.

This expectation of lower rates in 1954 is based upon the following major premises:

(1) Housing starts in 1954 to be on a lower level than in 1953, perhaps by 10 to 12%.

(2) Business expenditures on plant and equipment to be slightly less than in 1953, say by 5%.

(3) Some liquidation of business inventories to develop in 1954.

(4) A fairly modest decline in the country's total dollar volume of business.

Against these factors, which would tend to operate toward lower interest rates, stands the fact that a very significant adjustment in rates has already taken place. Furthermore, the Treasury still desires to extend the maturity of the public debt wherever feasible. Thus, the decline in rates from present levels is likely to be moderate rather than substantial.

Prospective Borrowing Requirements

Based on the foregoing assumptions for 1954, total bank loans may show a small decline in the year ahead. If this expectation should materialize, it would represent the first annual decrease in bank loans in more than 10 years.

The record of recent years shows a slackening in the demand for additional bank loans. Bank loans rose less in 1952 than in 1951, and in 1953, the total increase will probably be 35 to 40% below 1952. This reflects largely the smaller demands for business loans in the second-half of the year, which were well below seasonal proportions. Due to the greater importance of the operations of the Commodity Credit Corporation, food companies and commodity dealers have been borrowing less than usual. The sales finance companies have raised substantial funds through the issuance of long-term securities and, of late, have been relying to a greater degree upon commercial paper. Most other industrial classifications also show less use made of bank credit in recent months than in the comparable period of 1952. Loans to business in 1953, therefore, will probably increase by only half as much as in 1952, and consumer loans also will rise substantially less. Only real estate loans are likely to increase by about the same amount as in the previous year.

In 1954, present prospects are that total bank loans may decline by perhaps 5% or so, with business loans registering the most significant reduction and the decrease in consumer loans being more moderate. Bank holdings of real estate mortgages are likely to continue to expand in 1954.

Private long-term borrowings in 1954 also are expected to be below 1953. Corporations, because of lower plant outlays and greater internal financing, are likely to issue substantially fewer new money securities. The volume of utility financing is expected to be as large next year as in 1953, but the amount of securities issued by manufacturing companies is likely to continue downward. The sales finance companies, which did a huge volume of security financing in the first half of 1953, are expected to fall materially behind the current year's total in 1954.

The increase in real estate mortgages outstanding may be 10 or 15% below 1953. The amount of mortgages on commercial properties may be less affected by this trend than the amount of home financing. The volume of state and municipal financing, on the other hand, is expected about to match the record set in 1953.

The Treasury's new money requirements in 1954 may not be far different from 1953. Assuredly it is possible to envisage a combination of circumstances under which the Treasury might find it necessary to borrow several billions more next year than in 1953, but for the purpose of appraising the outlook, a reasonable assumption is that the Administration will succeed in reducing expenditures and in holding the line against further tax reductions.

Savings are expected to be in ample supply to meet the reduced total demands for investment funds anticipated in 1954. The accumulation of funds with life insurance companies, mutual savings banks and other savings institutions continues to run well ahead of 1952, and this flow is likely to be well maintained in the face of an assumed modest easing in economic conditions in the coming year, although the growth in 1954 may be somewhat lower than the record totals foreseen for 1953.

Credit Policy and Debt Management

Given some easing in aggregate business activity and prices, the monetary authorities are likely to adopt a fairly easy credit policy. Their objectives may be expected to run along the following lines:

(1) Foster liquid conditions in the money market.

(2) Maintain or increase the liquidity and lending power of the commercial banks.

(3) Assure an adequate flow of funds into real estate financing in order to stimulate building activity.

(4) To the same end, they may possibly reduce the rate and liberalize the terms of Government-guaranteed mortgages.

(5) Avoid measures which would unduly restrain the flow of funds into corporate and municipal securities.

Lengthening the maturity of the public debt remains the goal of Treasury policy. Under the conditions visualized, the Treasury is unlikely to pursue its program with such vigor as to conflict with the basic objectives of credit policy. At the same time, it is not likely to forsake this program in the event of a modest business downturn. The reasonable expectation for 1954, therefore, is that the Treasury will follow the same general approach as in most of 1953, namely to proceed carefully but persistently, and to take whatever opportunities present themselves to achieve some extension of maturities without unsettling the market.

Conclusion

The factors governing the outlook for 1954 thus seem to indicate a somewhat lower level of bond yields and interest rates in the period ahead as the result of reduced private borrowing requirements and an easier Federal Reserve credit policy in the event of some decline in business activity. The Treasury's debt funding program is not expected to frustrate credit policy although it may temper somewhat the downward movement of rates and yields.

It is to be noted, however, that the experience of 1953 has left elements of instability in the market which probably have not been fully dissipated. In our dynamic economy, the course of interest rates cannot be expected to move placidly even if the assumptions concerning the direction of business activity and the response of credit and debt management policies prove reasonably correct. And in the uncertain world in which we live, the international situation could readily upset all our expectations concerning the money market, the movements of interest rates, and the trend of economic activity.

*Abstract of an address by Dr. Reierson before the Bank Study Conference of the Michigan Bankers Association, Ann Arbor, Mich., Dec. 4, 1953.

Four New Partners for Paine, Webber Firm

Paine, Webber, Jackson & Curtis, members of the New York Stock Exchange, and other leading exchanges, on Jan. 1 will admit John F. Curley, Nelson J. Darling, Jr., James A. Swoboda, and John S. Watterson, Jr., to partnership. Mr. Curley will make his headquarters in the New York office, 25 Broad Street; Mr. Darling in Boston, 24 Federal Street, Mr. Swoboda in Milwaukee, 605 North Broadway, and Mr. Watterson, in Cleveland, Union Commerce Building.

D. W. Chamberlin, general partner, will become a limited partner on Jan. 1, and R. C. Mees will retire from partnership in the firm Dec. 31.

Financing of Oil Property Acquisitions

By G. W. WELSCH*
Lybrand, Ross Brothers, and Montgomery,
Certified Public Accountants, Dallas, Texas

Mr. Welsch, in his review and recommendations for the financing of purchases of oil and gas properties, considers basic principles of various financing methods, and analyzes tax effects and accounting treatment as relating to both buyer and seller. Finds acquisition of oil properties out of proceeds from their own production or from future income has been growing. Concludes any method of financing purchases should be tailored to fit individual needs, but only after all ramifications have been reviewed by legal and accounting advisors.

With increasingly higher tax rates, many individuals and partnerships, owners of oil and gas properties, have come to the realization that they can obtain more "after tax" money from a sale of their properties, with proceeds taxed at capital gain rates, than would result from continued operation of the properties. This has resulted in many good properties becoming available for purchase at reasonable prices. But even though a property is offered at a reasonable price, acquisition of a good property for cash often requires more funds than the purchaser is able, or desires, to tie up in a particular venture. Therefore, interest in various methods of financing the acquisition of a property out of proceeds from its own production or from future income of the acquiring company, has been growing.

G. W. Welsch

The use of oil payments and related methods of acquiring financial assistance in the acquisition and development of oil properties is not new. Today more than ever, however, the oil industry has established itself as an excellent credit risk. Bankers and investors, knowing that modern scientific methods are used for estimating potential recovery from specific properties, and that advanced techniques assure maximum recoveries, welcome a self liquidating loan to a competent operator on producing properties.[1]

There is thus a need for financing the acquisition of oil properties and a source of available funds. It is the purpose of this paper to examine into some of the financing methods which have been used and to analyze first the tax effects and secondly the accounting treatment as to both buyer and seller.

Basic Principles

All of the financing methods have as their basis either of two general principles or a combination of both of them. Under the first principle, the purchaser is deemed to have acquired the entire interest of the seller in the property and to have incurred a liability for the unpaid portion of the purchase price. Under the second principle, the purchaser is deemed to have acquired only a portion of the interest of the original vendor of the property, to be enjoyed either concurrent with or subsequent to the paying out of the interest not acquired. A combination of the principles results where there is a transaction split in its nature or where there is a contingent liability on the part of the purchaser to make payments under certain circumstances.

The classification of transactions under one or the other of the principles is not always simple and sometimes a transaction may be deemed to have the characteristics of a method based on the first principle for accounting purposes while for tax purposes the law requires that it be treated as being based on the second principle.

Acquisition with Borrowed Funds

Perhaps the simplest form of financing is the acquisition of property with funds borrowed from a bank or insurance company. This is an example of the application of principle one. The purchaser acquires the entire property and is obligated to pay the amount of the loan regardless of whether the production from the property is adequate. Usually, as security for the transaction, the lending institution takes a deed of trust on the property and requires the assignment of a substantial portion of the proceeds of the oil runs to be applied against the debt. Sometimes, where the security is deemed insufficient, other properties are included in the deed of trust and oil runs from other properties are assigned against the loan. A characteristic of this type of transaction is that in case of default, the lender can foreclose and satisfy the loan from the proceeds of the sale of the pledged properties.

Despite the fact that a substantial portion of the oil runs have been assigned to the lending institution, the proceeds from the sale of all of the oil run from the property are considered to be gross income to the operator. Because there is a source, other than the oil in the ground, out of which the loan might be repaid, the lending institution does not have any economic interest in the property.[2] The operator must therefore account for all the income from the property. Deductions allowed against this gross income include all lifting costs, depletion and interest on the loan.

The seller of the property, having received all cash for his interest in the property, realizes long-term capital gain.[3] It is assumed, for all examples in this paper, that the vendor of the property is not a dealer in oil and gas properties and has held the property over six months.

A variation of the above transaction is encountered where the seller receives part cash and part notes in exchange for his property. To the purchaser, the effects are exactly the same as if the financing had been done by a lending institution. However, if the seller has received less than 30% of the sales price of the property in the year of sale, he may elect to report the sale on the instalment basis, paying a tax in each year only upon that portion of the gain reflected in the payments received.[4] Obligations of the purchaser are not considered in determining the amount received in the year of sale.

Consideration Payable in Oil—Types of Contracts

Often, all or a substantial portion of the consideration paid for a property is payable in oil or in the proceeds from the sale of oil. Transactions of this nature fall into three general categories:

(a) Where the oil to be used in payment for the property is to come from the property purchased, if and when produced.

(b) Where the oil to be used in payment for the property is to come partly from the property purchased and partly from other specifically designated properties, if and when produced.

(c) Where there is no specific designation as to the source of the oil, the payment being due regardless of production from the property purchased.

Each of these three types of transactions has different tax and accounting treatment and must be considered separately.

Where the consideration to be paid in oil, stated in either dollar value or barrels of oil, is to come from the property purchased or from other specifically designated properties, and is payable only if and when oil is produced, with no guarantee of payment, and with no other source except oil from such designated properties out of which payment can be made, the holder of the contractual right to receive such oil or the proceeds thereof is deemed to have an "in-oil payment," or "oil payment" as it is more commonly called.[5] Such an oil payment represents the ownership of an economic interest in oil and gas in place with the holder thereof being entitled to depletion.[6] An oil payment may be reserved when a larger economic interest in the property is sold,[7] or an oil payment may be carved out of the larger economic interest and itself assigned while the remainder of the interest is retained.[8]

The "Carved-Out" Oil Payment

Assume that the company which purchased property with funds borrowed from a lending institution wishes to rid itself of the liability for the loan. If it can "carve out" of its working interest an "oil payment" payable when and if oil is produced and sell such oil payment for sufficient funds to satisfy the loan, it can thereby relieve itself of the unconditional liability to pay represented by the loan.

What are the tax consequences of such a transaction? The Treasury has issued rulings stating that "the assignment of any in-oil payment right (not pledged for development) which extends over a period less than the life of the depletable interest from which it is carved, is essentially the assignment of expected income from such property interest" with the proceeds taxable as ordinary income subject to depletion.[9] The rulings were believed necessary by the Treasury Department to stop a practice which began to have widespread usage by the oil industry under the impact of the high tax rates during World War II—namely, the use of oil payments as a device for turning ordinary income into capital gain.[10] Operators were selling estimated production in the form of short-term oil payments and reporting the proceeds as capital gain.

The rulings were not based on any cases in point or on any authoritative law. In fact, prior to the issuance of the first ruling in 1946, three Board of Tax Appeals cases—one of which was affirmed by the Fifth Circuit—held that a capital gain was realized when an oil payment was sold.[11] Many tax practitioners have attacked these rulings as being contrary to the law.[12] In a very recent case, the Treasury's position was upheld by a District Court but the pri-

Continued on page 32

*A paper by Mr. Welsch delivered before the Financial and Accounting Session of the 33rd Annual Meeting of the American Petroleum Institute, Chicago, Ill., Nov. 10, 1953.

American Gold Policy

By DR. E. A. GOLDENWEISER
Economic Adviser, Board of Governors of the Fed. Res. System

Mr. Goldenweiser maintains appeals to moral codes and emotions are out of place in discussion of monetary policy in a democracy, since a disapproving electorate can at any time vote its government out of office. Opposes gold price rise proposal as superficial temporary measure for correcting deeply-rooted ills reflecting imbalances in trade and productive powers, in export and import requirements, and military needs, and as diverting effort from fundamental and permanent remedies.

This article, prepared by Dr. Goldenweiser shortly before his death, appeared earlier this year in the "Bulletin d'Information et de Documentation" of the National Bank of Belgium, with whose permission we publish it. It was brought to our attention through the good offices of Woodlief Thomas, Economic Adviser to the Board of Governors of the Federal Reserve System.—EDITOR.

Gold is not only a precious metal but also an explosive. It has the power to arouse human passions; not cupidity alone, but also the spirit of adventure, and the desire to do daring deeds. In monetary discussion gold stirs deep moral emotions and is endowed with legendary powers. A review of gold policy has to deal with at least four aspects of the problem: the mythological aspect, the ethical aspect, the commercial aspect, and the monetary aspect.

E. A. Goldenweiser

Mythological Approach

Gold mythology is based on ancient and vague folk traditions linked with modern times by long-term charts that appear to have more relation to astrology than to economics. It is the passionate faith of gold mythologists that in some way a currency exchangeable for gold not only assures against the dangers of inflation but has the power of preventing government extravagance and of maintaining the community on a basis of sound and stable prosperity. That history is full of examples of exuberant inflation followed by disastrous collapse under a full gold standard does not impress the gold mythologist; he can explain away history and emerge with his faith intact. There is little rational reasoning in his belief but one cannot argue with faith. There are not two schools of thought on the subject; there is one school and one church.

As nearly as one can trace a rational thread through the doxology of the believers in gold, it runs something as follows: A central bank cannot freely issue currency so long as it must stand ready to redeem it in gold on demand. A government, being aware of this, cannot spend money in excess of its revenues, because this would lead to borrowing from commercial banks and ultimately from the central bank. The central bank might then refuse to lend for fear of not being able to meet its obligations in gold. This would make it impossible for a government to borrow more than the public is willing to lend out of its income or savings. In this way, runs the argument, gold redemption prevents government extravagance and assures sound and responsible financial management of a country.

It must be admitted that against extreme irresponsibility an iron-bound obligation to redeem in gold presents a barrier, particularly if there are no barriers against the export of gold. The weak point in the argument, and the one that wrecks it, is that the same authority, be it a dictator or a democratic legislature, that has the power to decide on expenditures also has the power to decree or abrogate gold redemption. Fear of inability to redeem does not prevent extravagance, but is more likely to result in suspension or abandonment of the obligation to redeem. The same impetus and the same authority that lead to extravagance also lead to irredeemability of currency. What prevents extravagance is not redeemability of the currency, but a sober realization of the consequences to a nation of an extravagant and wasteful public policy. When the rulers of a country have such a responsible and conscientious attitude, the question of redeemability can be decided on its technical merits. It can be determined with reference to existing domestic and international conditions. The decision then no longer would depend on mythology, but would be based on sober appraisal of realities.

A variant of the gold myth is the belief that commodity prices can be directly and immediately affected by changes in the gold content of a monetary unit. This relationship, in the minds of its fanatical proponents, does not depend on foreign exchange values or on international commodity movements. It is immediate and direct. In recent history this form of mythology led for a while in 1933 to a daily determination of changes in the gold content of the dollar in the faith that by this device commodity prices could be made to behave as directed. That such a manipulation was not and could not be effective needed no proof for the hard-headed world, and, on the other hand, that it did not work was not enough to convince mythologists. Their faith remained intact, let the facts of life say what they would. In practice the experiment was soon abandoned without, however, recantation of the underlying faith.

It is doubtful whether a similar irrational experiment could have been undertaken by a government or tolerated by a people in any field that was not obscured by a mythology such as surrounds gold. Blind faith in the magic of gold has weakened somewhat in more recent years and the number of votaries of the faith has diminished, but anyone discussing the sacred subject of gold must still be prepared to encounter deep-seated and emotionally powerful convictions on the subject that have no traceable connection with sober reasoning.

Believers in the gold myth think that they can reverse the legend of King Midas: instead of converting all good things, by touching them, into barren gold, they believe thay can convert gold, by touching it, into all good things—into prosperity and national welfare.

Ethical Approach

In addition to the mythological approach to gold there is the

Continued on page 42

Impact of Atomic Energy On the Industrial Economy

By WALTER ISARD*
Associate Professor of Economics
Massachusetts Institute of Technology

Professor Isard, in analyzing existing facts relating to atomic energy, holds nuclear power does not promise to cut manufacturing costs very much. Cites illustrations of relative fuel costs of fuel-using industries, and concludes atomic energy will not generate a major cost reduction as the railroads did. Concludes, however, because of possible future use of radioactive isotopes in industrial processes for control purposes and quality improvement, and the utilization of new chemicals and new metals, atomic energy may bring about major, if not revolutionary changes, in our economy.

This paper is both pessimistic and optimistic.

It is pessimistic in the sense that analysis of existing facts indicates that the introduction of atomic power into our industrial economy will not have a major impact.

Walter Isard

It is optimistic in that it strongly suggests that the analysis of existing facts involves a strong bias in understating the possible impact of atomic power. Such analysis does not cast light on the host of new engineering and production processes and on the multitude of new products which may develop in conjunction with the development of nuclear power. These developments may lead to major increases in the productivity of many industries and to significant increases in gross national product and real output per head.

Let us first analyze the existing facts. First, there is still no good evidence that nuclear power will be cheap power. In fact, most evidence suggests that it will be high-cost power, and at best competitive in regions of the United States, such as New England, where high power rates prevail because of high cost of conventional fuels.

However, suppose that existing evidence turns out to have been misleading and that atomic power were to become cheap power. Would its effects be revolutionary? Over the last 50 years we know what percent fuel and purchased energy costs have been of total cost in manufacturing activities, and what percent they have been of value added by manufacture.

At no time during this period have fuel and purchased energy costs exceeded 3% of total costs in manufacture, or exceeded 7% of value added by manufacture. Figures of this order of smallness also obtain when we consider distribution, agricultural and other activities.

*Summary of points in a speech by Professor Isard at the 58th Congress of American Industry, sponsored by the National Association of Manufacturers, New York City, Dec. 4, 1953.

Clearly then, nuclear power does not promise to cut very much manufacturing costs within the United States.

If nuclear power becomes **just** competitive with conventionally-generated power, there will be no overall savings in costs.

If we accept a very optimistic assumption, namely, that nuclear power were to halve the costs of fuel and purchased energy, even then the **average** direct cost saving to manufacturers would run well under 5%.

Let us turn to another set of facts. Let us look behind the averages I have been quoting and examine costs of fuel and purchased energy for individual industries.

Fuel Uses of Industry

Ranking industries in order according to the percent which fuel and purchased energy constitutes of total production cost,[1] we find blast furnace products industry at the top. Here, fuel and purchased energy accounts for 26% of total production cost.

Second on the list is the cement industry, in which fuel and purchased energy accounts for 19% of total cost.

Third is the manufactured ice industry with a figure of 16% of total cost.

Fourth is the clay products industry, with a corresponding figure of 15%.

Fifth is the pulp industry, in which fuel and purchased energy accounts for 8% of total cost., etc., etc.

This ranking suggests that the blast furnace products and cement industries are likely to reduce their costs materially if cheap nuclear power were available.

We have studied these industries. We find that because the use of cheap nuclear power would necessitate using different processes in these industries, it turns out that even if cheap nuclear power of three to four mills were available, a saving of more than 5-10% in production cost is highly unlikely.

If this is all the saving to be realized by the industries at the top of the list, in general little, if any savings, are to be expected of industries farther down on this list.

Hence, this second set of data does not suggest any major impact of cheap nuclear power.

We may turn to a third set of data, and examine those industries which consume large amounts of power per dollar value of product. It would seem logical to expect that these high power consuming industries would be the very ones most affected by cheap nuclear power.

Ranking industries in order by the amount of power used per dollar value of product,[2] we find at the top of the list such industries as:

(a) calcium carbide, where 75 kilowatthours are consumed per dollar value of product.

(b) ferroalloys (made in electric furnaces) where 52 kilowatthours are consumed per dollar value of product

(c) aluminum, with 51 kilowatthours

(d) electrolytic zinc, with 45 kilowatthours

(e) magnesium, with 33 kilowatthours.

In the case of these industries, I am more certain than in the case of the previous industries that cheap atomic power, say 3-4 mill power, will not have any major cost reduction effect.

These high power-consuming industries, because they **do** consume so much power, are currently located at cheap power sites, where they obtain power at 2-3 mills per kilowatt hour.

These industries will continue to remain at cheap power sites even as they expand, and even as they must utilize somewhat inferior power sites where power is available at 3-4 mills instead of 2-3 mills.

We must remember that despite all the talk about fuel and power scarcities, there is still an abundance of conventional energy resources in the long-run. I understand that there is still 33 million kilowatt capacity of 2.5-3.0 mill power to be developed in the Columbia River basin, that there are promising developments in the use of lignites, and so forth.

Hence, once again we are led to conclude that the impact of cheap nuclear power would not be major.

Optimistic Side of Picture

Let me turn to the more optimistic side of the picture.

Suppose we turn back the pages of history and imagine ourselves in 1840 attempting to predict the impact of the railroad which was then being introduced into the American economy. Given the methods of research we now possess today, we could probably have foreseen a number of the revolutionary effects of the railroad. Knowing that the costs of transportation between points would be reduced to one-half of existing levels, in other cases to one-quarter of existing levels, in still other cases to one-tenth of existing levels, and in many cases to a still smaller fraction of ruling rates by land transportation media, we could have foreseen:

(1) a large migration of population from the farm to the city;

(2) a rapid growth of cities in general;

(3) major concentration of industries, at the sources of high-quality mineral deposits and at transport junction points and at ports;

(4) the relative decline of cities (such as New Orleans) and the tremendous growth of other cities such as New York and Chicago.

We could have foreseen much of this because the costs of transportation were so greatly reduced by the railroad, and because we do have methods of analysis which can evaluate the effects of a reduction in the costs of transportation.

However, let us move on and imagine we are at the turn of the 20th century attempting to predict the impact of the internal combustion engine, in particular the automobile. Since the automobile was **not** essentially a cost reducing innovation, we could not have fallen back upon the standard methods of research which are useful in analyzing the effects of a cost reduction in transportation. In fact we would have been lost in this effort. We do not have reliable methods to predict the acceptance of a new product by consumers, or to predict changes in their tastes. We could not have foreseen the widespread adoption of the automobile as a mode of travel.

Also, we do not have reliable methods to predict new products which will emerge along with a new industry such as the automobile. We could not have seen the tremendous expansion of the steel industry resulting from the demand by automobile manufacturers for steel bodies and other parts. Nor could we have predicted the tremendous stimulus which the automobile gave to the glass industry and the oil refining industry.

Could we have anticipated the development of the rubber industry which was directly linked to the automobile or the nationwide network of garages, filling stations and repair shops which have sprung up along a comprehensive grid of highways and bridges which engendered tremendous growth in the construction industry? No, we could not have anticipated these developments nor the vast changes which have taken place in the structure of our cities and in retail and wholesale trade.

Now, let us return to the problem before us, to predict the impact of atomic energy.

The facts presented in the first part of my talk strongly indicate that atomic energy will not generate a major cost reduction effect, as the railroad did. Its impact will not resemble that of the railroad. Rather, if atomic energy does have a major impact upon our economy, it will be much along the lines that the automobile did. As a result of the use of radioactive isotopes in industrial processes for control purposes and for quality improvement, as a result of the research on new metals, as a result of the new chemicals being discovered and utilized and being produced in the fission process, as a result of many similar developments associated with the entire nuclear engineering complex, atomic energy may bring about major, if not revolutionary, changes in our economy.

1 1937 data. More recent data indicate the same general ranking of industries.

2 1937 data. More recent date indicate the same general ranking of industries.

Paidar Heads Chicago Ass'n of Exch. Cos.

CHICAGO, Ill. — Leonard J. Paidar, partner in the brokerage firm of Goodbody & Co., was elected Chairman of the Chicago Association of Stock Exchange Firms at the annual meeting.

He succeeds Harry A. Baum of Wayne Hummer & Co., who served as Chairman for two years.

Edward F. Thompson Jr. of Lamson Bros. & Co. was elected Vice-Chairman, and Harry W. Pucetti of Hornblower & Weeks was elected Treasurer.

Elected as members of the Board of Governors were John W. Allyn of A. C. Allyn & Co., Gerald V. Hollins, Jr. of Harris, Upham & Co., Irving E. Meyerhoff of Freehling, Meyerhoff & Co., Robert A. Podesta of Cruttenden & Co., and Francis C. Woolard of Kneeland & Co.

The Progress of Air Power

By C. E. WOOLMAN*

President and General Manager, Delta-C & S Air Lines

After pointing out the progress of aviation during the last half century, Mr. Woolman, in peering into the future, holds next phase of aviation development will be just as remarkable as its first 50 years. Says he is confident that in a few years jet transports will operate economically enough for widespread long-range routes. Holds aviation progress is a battle of engineering vs. economics, in which governments as well as manufacturers and operators, each have responsibilities. Stresses need of profitable operation, if aviation is to progress.

When the Wright Brothers made their first flight, all except seven of the nation's 50 largest cities were located adjacent to and in the area between Boston-New York-Philadelphia on the east and Milwaukee-Chicago-St. Louis on the west. But the 1950 census shows that 20 of the top 50 metropolitan areas are outside the Great Lakes-Northeast area. One factor which contributed to the former concentration of metropolitan areas was the fact that 43 of the 50 largest cities were within a 24 hours' journey of each other.

C. E. Woolman

Now in 24 hours one can leave Dallas by air and be in Rome—or in 27 hours go from Dallas to Tokyo. A rail traveler, out of Dallas, headed for Rome would be only in Ohio after 24 hours.

By air, Chicago is just slightly over 3 hours away from Dallas, but the same rail trip is approximately 20 hours. By air, Miami is less than 5½ hours, but the rail trip from Dallas to Miami takes 40 hours.

By air, New York is 5 hours away from Dallas—a day and a half (36 hours) by rail.

Well, here we are entering the second 50 years of aviation, looking backward and trying hard to see into the future.

The first 25 years brought us only to the real point of beginning for our new industry, for from 1903 to 1928 was a period for the development of the airplane as a machine.

The second 25 years, from 1928 to the present, saw the flying machine applied to commercial use, first with a trickle of adventurous passengers and then with hordes of ordinary people who had grown to respect this miracle method of movement. As the new means of transportation was accepted by the masses, the planes progressed in size, speed and efficiency to keep pace. Sometimes the airplane increase preceded the passenger increase, however.

The next phase of aviation development, the second 50 years, will be just as remarkable as the first 50. If I were trying to name this second half from 1953 to 2003, I would call it the "engineering vs. economics era."

We've got the know-how to build a jet plane that will fly 500 miles per hour or faster. We have helicopters which can pick up a passenger at the airport and deposit him on the roof of a downtown hotel. But can we do either of these at a price that the average man will want to pay? Not yet.

Unquestionably the helicopter is one of the most versatile ships ever developed for short-range flying, but the average passenger just isn't interested in paying out $10 or $15 for a helicopter hop from the airport into town when he can ride a taxi for a buck, more or less. The more logical solution probably lies in expressways or super highways between the airport and the heart of the city, or improved high speed transit lines. But when the engineers find a way to lick the economics so that the helicopter trip costs a buck too, then they will be widely used.

*Remarks by Mr. Woolman at a Symposium on Air Power, Dallas, Texas, Nov. 21, 1953.

Real Test Is Economical Use

The jet transport is wonderful, but it won't be here tomorrow. The real test of equipment is how economical it is for general use. No airline in America can afford to operate jets in volume until someone develops one which will permit a profit at present or lower fares.

During the past 25 years, increases in the speed and efficiency of airplanes went hand-in-glove with reduced operating costs per mile. But the jets thus far produced have broken this pattern of progress by offering increased speeds at higher costs—a backward step in the war of engineering vs. economics.

Our present DC-6's average approximately 9 pounds of fuel per mile, but jets of the same size would take about 20 pounds per mile even at favorable altitudes and may burn from 4 to 10 times as much fuel at low altitudes.

Sometime in the next year or two or three or four, I am confident that one or more American manufacturers will be able to produce jet transports which will operate economically enough for widespread long-range use in the U. S. But we already know that the jet is more efficient when it can fly at altitudes of 30,000 feet or more and cruise over a long distance. A city will qualify for jet service if it can fill planes for non-stop flights to destinations more than 1,000 miles away. Of course, that figure could change as equipment becomes more efficient and perhaps an airline could operate jets for shorter trips at a loss if longer flights also were being flown with profit.

Goal of All-Weather Flying

We have seen some real progress toward our goal of all-weather flying, and certainly even greater improvement is ahead. This is one other manner in which the engineers and the government can help to lick the economics which are necessarily related to dependability of flights in all types of weather.

The wonderful progress made in electronic aids leads many people in our industry to believe that we may some day see an automatic flight in which electronic devices will activate all the controls on take-off and landing, with pilots monitoring the automatic equipment with increased freedom and to oversee all aspects of the trip.

In this battle of engineering vs. economics, the Federal, state and local governments will continue to have responsibilities just as great as those of the manufacturers and the operators.

The public bodies which regulate, tax or in any way influence air transportation must have policies with stability and long-range programs. These governmental agencies must recognize the problems faced by airlines in ordering new equipment years in advance of date of service. Airlines must be permitted to accumulate profits during lush periods to tide over the low curves. Regulation is called for, but there should be enough flexibility for healthy competition and free enterprise with reasonable limits.

Air service must be measured in terms of benefits to the community and its citizens, but it is possible to go overboard on benefits affecting only a few. Some communities merit more air service, while others have failed to give adequate support to existing services and should be dropped from the air map of the nation.

Aviation Must Be Profitable to Progress

Airlines not only must be permitted to accumulate reserves for future growth and re-equipment, but allowed to make enough to pay stockholders a reasonable, continuing program of dividends so that airline stocks can achieve permanent stability and market attractiveness.

As the most complex of all forms of transportation, its earnings must also be sufficient to enable it to compete successfully with other businesses for the highest type of employees of various technical skills.

Unquestionably the airlines have successfully attracted a big new source of business through such incentives as the family plan, excursion rates, economy package tours, and through aircoach or air tourist fares. In 1949 slightly more than 11% of the total trunkline passenger traffic moved by reduced fares of one type or another and this percentage has increased until it was 27% for the year 1952 and 31% for the first six months of 1953.

These special fare structures naturally point up again the battle of engineering vs. economics. The airplane which carries aircoach passengers at four cents a mile must be designed to produce the same total revenue as the deluxe airplane which carries passengers at six cents a mile—that is the aircoach must either have increased capacity or have the ability to operate at lower unit cost.

The present trend, which is brought about by a desire of airlines to use the same equipment for both aircoach and deluxe service, without legitimate distinctions in standards of service, could result in a general fare reduction to levels which would jeopardize the industry.

The larger airlines are now subsidy-free and mail income accounts for only a small percentage of total income. And yet this mail revenue is in the critical part of the profit and loss pattern, so that it is vital for the post office to pay adequate and fair rates for carrying the mail.

Sometimes we are inclined to take airmail for granted but it has become such an integral part of the commerce of the world today that our government would be compelled to organize a special setup for flying the mail if the airlines were to suddenly stop operating. I shudder to think what the cost of such an independent operation would be.

Mail Carrying by Air Lines

Today more than 98% of all mail carried by the domestic scheduled airlines is free of airmail subsidy from the government. More mail was flown during 1952 than during any other year. For carrying 50% *more* mail in 1952 than in 1950, the airlines received 21% *less* pay.

The present mail rate for the larger airlines averages less than half a penny on each letter, leaving the post office 5½ cents on each 6-cent stamp for its local pick-up, delivery and general overhead.

Experiments are now being conducted on flying first-class mail between Chicago, New York and

Continued on page 26

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Dividend declarations continue to dominate the interest of stockholders of New York City bank shares.

During the past several weeks the news with respect to dividends has been unusually good. Not only have most of the institutions which formerly were expected to announce dividend increases or stock distributions done so, but in addition, several other banks have also enlarged their payments by extras or year-end payments. In fact, with one or two exceptions, all of the larger New York banks have now taken some action to increase the stockholders participation in the record earnings in prospect for the current year.

Some of the distributions will not be made until 1954 and in other cases stock dividends must be approved at annual meetings to be held in January. This means that even though dividend changes may not be numerous for next year, total dividend payments will be larger in 1954 because of actions already taken.

Some of the more recent increases include the following:

On Tuesday of this week the Bank of New York declared an extra dividend of $4.00 a share payable Dec. 22 this year. This will bring payments for 1953 to $18.00 as compared to $14.00 in 1952 including the $2.00 extra a year ago. At the same time the quarterly rate starting in January of next year was raised to $4.00 from $3.50 indicating an annual payment rate next year of $16.00 as compared with $14.00 this year.

Also this week First National Bank of New York which paid four quarterly dividends of $5.00 and an extra of $2.00 this year for a total of $22.00 a share, increased the extra payment for next year to $3.00 indicating a distribution of at least $23.00 in 1954.

On Monday, Dec. 8th, Directors of Manufacturers Trust in accordance with expectations, increased the quarterly rate to 75 cents a share from 70 cents. This indicates payments for 1954 at the rate of $3.00 a share as compared with the $2.80 paid this year.

Last week at the annual meeting, Bank of Manhattan announced that the Bank would increase the quarterly rate from 40 cents to 42½ cents, or an annual rate of $1.70 a share as against $1.60 formerly paid.

National City last week also announced an increase in its quarterly rate. There had been some expectation that City might declare a small stock dividend as they did last year. The increase in the cash payment, however, amounting to 10% was favorable news. Thus, beginning next February, National City will distribute a quarterly payment of 55 cents as against the 50 cents previously paid. This indicates a payment for 1954 of $2.20 as against the $2.00 formerly paid.

Last week also brought the news that stockholders of New York Trust will receive more this year. Last year New York Trust distributed four quarterly dividends of $1.00 and an extra of $1.00, or a total payment of $5.00. The quarterly rate was raised the first quarter of 1953 to $1.25. In addition a 50-cent extra payable this month was declared. This indicates a distribution of $5.50 for 1953.

Irving Trust also took favorable dividend action last month. Beginning in January a quarterly dividend of 30 cents will be paid as against the 25 cents previously distributed. At the same time an extra of 10 cents was declared, or the same as a year ago.

Guaranty Trust on the other hand declared an extra payment of 50 cents a share payable in January, increasing the indicated cash distribution to stockholders above the previous annual payment.

Among some of the other banks, stock dividends have been popular. Announcements have been made to the effect that current dividend rates will be continued on the larger number of shares to be outstanding indicating a larger cash payment for stockholders. Among these stock declarations for New York banks are Hanover Bank, 12½%; Chemical Bank, 10%, and Public National, 15%.

This has indeed been a favorable period for bank stockholders.

Halsey, Stuart Group Offer Equip. Tr. Ctfs.

A syndicate headed by Halsey, Stuart & Co. Inc. offered yesterday (Dec. 9) $7,500,000 of St. Louis-San Francisco Ry. series M 3% equipment trust certificates, maturing annually Jan. 1, 1955 to 1969, inclusive.

Subject to the authorization of the Interstate Commerce Commission, the certificates are offered at prices scaled to yield from 2.25% to 3.125%, according to maturity.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost not less than $9,375,000; five 1,500 H.P. Diesel-electric freight locomotives; 100 50-ton all steel flat cars; 200 95-ton open all steel ore cars; 300 55-ton open top all steel riveted hopper cars; and 600 50-ton box cars.

Also participating in the offering are—R. W. Pressprich & Co.; L. F. Rothschild & Co.; Baxter, Williams & Co.; Freeman & Co.; Wm. E. Pollock & Co., Inc.; Gregory & Son, Inc.; Ira Haupt & Co.; Hayden, Miller & Co.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co. Inc.

Arthur Demers Opens

DUMONT, N. J. — Arthur Demers is engaging in a securities business from offices at 8 Birch Road, under the firm name of Arthur Demers & Company.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Lynwood S. Johnson is now with Goodbody & Co., Penobscot Building.

A Yardstick for Stock Selection

By HOMER FAHRNER
Registered Investment Adviser, Corning, California

Mr. Fahrner points out great difference between investor's holdings in Dow-Jones issues and better-than-average stocks since 1929. Urges use of ratio-analysis to discover issues "acting well" and hence allegedly revealing an upward trend.

If our hypothetical investor had sunk $1,000 in the Dow-Jones Industrial Average at its 1929 peak price and held straight through, he would have had only $666 to show for it at the 1953 low figure attained in September. This does not take into account dividends received, nor brokerage charges, income taxes or other expenses.


Homer Fahrner

However, if our investor had done 10% better than Dow-Jones each year, his $1,000 would have grown to $6,000. Again no consideration is given to dividends or expenses.

What if he had done only 5% better than Dow-Jones annually? He would have doubled his money. It is time to ask what it means to do 5% better than Dow-Jones annually. If Dow-Jones opens for the year, say, at 200 and closes at 300, your stocks must close at 315 to do 5% better than Dow-Jones. On the other hand, if Dow-Jones closes instead at 100, your stocks must close at 105. It does not mean that your stocks must show a profit each year; it merely implies that you do 5% better each year than Dow-Jones.

Now let your imagination run. Can you do 20% better each year than Dow-Jones? Your profits would have been fantastic. Each original $1,000 would have grown to $50,000.

Can It Be Done?

Why is it that even professional investment managers seldom do as well as Dow-Jones, let alone 10% or 20% better each year? Could it be that we need a new approach to investment mangement? The conventional approach in selecting a stock is to throw earnings, dividends, book values, financial ratios, position of stock in its industry, position of industry itself, position of stock market cycle, business conditions, present and prospective, into a hopper and from it ascertain what a stock is worth. If the current price is well below that figure, you buy it on the theory that the stock is underpriced and ought to go up.

Now the thing which is wrong with the procedure is that it does not work, as most of us know to our sorrow. There are many reasons why a sound stock may not advance, even when the market as a whole advances. Let us consider the tax angle alone. If a stock is down, investors may be selling it to establish tax losses. This will serve to depress it further. Often a stock will not advance because it pays too high a dividend. Sounds paradoxical, but consider the position of the big-moneyed buyer. If he buys a high-yielding stock, most of his dividend may be taxed away from him. So he puts his money on low-yielding growth stocks. Need we go on?

I believe an account can be managed to do consistently better than Dow-Jones. To do better than Dow-Jones one must invest and re-invest in stocks which are currently doing better than Dow-Jones. As soon as a stock fails to continue to do better, it must be replaced with another stock which is then doing better. In this way, the portfolio as whole will continually be doing better than Dow-Jones and that is what we are seeking.

Discovering the Ratio Performance

If periodically, you will divide the price of a stock by the Dow-Jones Industrial Average, and plot this ratio as a continuous line, you will observe that this line either advances, declines, or remains at an even level. If it advances, it is obviously doing better than Dow-Jones. Contra-wise, if it declines, it is not doing as well; and if the line is horizontal, it is just keeping abreast of the Average. The beauty of it is that direction of this ratio-line tends to persist. Sometimes it advances for months on end, sometimes for years. These are the stocks to hold in your account. Nevertheless, the ratio-line will not advance forever, and when it turns down, it must be sold. The proceeds are then re-invested in another stock which is then doing better than Dow-Jones.

This price-ratio may be computed hourly, daily, weekly, semi-monthly, monthly, or even bi-monthly. The shorter the intervening interval, the more irregular the ratio-line will be. At the same time the changes in trends will be more quickly observed. The irregularities may be smoothed out to some extent by computing a moving average of the ratios. Thus, you might plot a 10-month moving average of ratios, along with the ratio-line itself, and then delay buying of the stock until the current ratio is, say, 5% above that moving average, you will avoid many of the minor swings and still get in on any major upward move which the stock eventually makes. You will have acquired stocks which have definitely demonstrated their ability to do better than Dow-Jones. These same stocks might well be sold when the current-ratio penetrates the moving average downside, as that would indicate the stock is no longer doing as well as Dow-Jones.

This method involves no forecasting. You don't have to call the turns. You don't care whether the Dow Theory says we are in a bull, bear, or crab market. You don't care about business conditions, or what the politicians are predicting. You don't even care about what Moscow is or isn't doing. All you need do is keep your financial eye on whether your individual stocks are doing as well as Dow-Jones.

Of course, this method should be combined with some method of fundamental analysis. With some 1,500 stocks listed in New York alone, there is no need to buy any stock which is over-priced. Indeed, it would probably be well first to compile a list of stocks which are good values and then apply this new yardstick.

With Perry Blaine

(Special to The Financial Chronicle)

ASHTABULA, Ohio—G. Robert Esch is now connected with Perry T. Blaine & Co., 4519 Main Ave.

With Prescott & Co.

(Special to The Financial Chronicle)

TOLEDO, Ohio—Merril N. Calisch is with Prescott & Co., Spitzer Building.

Morgan Stanley Group Offers $300,000,000 General Motors Corp. 3¼% Debentures

Largest Corporate Issue Ever Underwritten For Public Offering

Morgan Stanley & Co. headed a nationwide underwriting group comprising 298 investment firms that offered for public sale yesterday (Dec. 9) a new issue of $300,000,000 General Motors Corp. 25-year 3¼% debentures due Jan. 1, 1979. The offering establishes a record as the largest issue of corporate securities ever underwritten for public offering by investment bankers. The debentures were priced at 100½% and accrued interest to yield approximately 3.22%.

This issue marks the first time the world's leading automotive manufacturer has financed itself by publicly offered long term debentures. GM has had no debt securities outstanding since 1949 when the corporation retired an issue of $125,000,000 notes. The corporation's last public financing was the sale of $100,000,000 of $3.75 series preferred stock in 1946.

The proceeds from the sale of the debentures will be used by General Motors for capital expenditures and for working capital. The corporation reports that during the last four years it has spent about $1,250,000,000 for real estate, plants and equipment (excluding special tools) of which about $385,000,000 has been spent for plant facilities required in connection with the defense production program. It is expected that capital expenditures will continue at a substantial level for some time. In addition, the expansion in sales volume, including sales of defense products, has increased materially the amount of working capital required in the business.

A sinking fund for the debentures calls for annual payments of $10,000,000 in each year from 1958 to 1977, thus providing for the retirement of two-thirds of the issue prior to maturity. Sinking fund redemption prices range from 100½% on Jan. 1, 1959 to the principal amount on and after Jan. 1, 1974. Optional redemption prices decline from 104½% if redeemed during the calendar year 1954 to the principal amount on and after Jan. 1, 1974.

General Motors' automotive products include Chevrolet, Pontiac, Oldsmobile, Buick and Cadillac passenger cars, Chevrolet trucks and GMC trucks and GM motors coaches. The corporation also manufactures a diversified line of other products, which include "Frigidaire" and "Delco" products, embracing electrical refrigeration units and equipment for household and commercial installations, air conditioning equipment, electric ranges, automatic washers, ironers, clothes dryers, boilers and water systems, automatic heating equipment and electric, oil and gas water heaters. The corporation also produces diesel engines for trucks, motor coaches and tractors and diesel locomotives for passenger, freight and switching use. Defense orders have played an increasingly important role in the corporation's business. Sales of defense products, which represented only 3% of total sales in 1950, are running slightly under 20% in 1953.

The corporation and its wholly-owned subsidiaries in the first nine months of 1953 had over 550,000 employees with a total payroll of more than $2,000,000,000. They work in 118 GM plants scattered throughout this country, six plants in Canada, and 26 in 18 other countries.

The corporation's net sales have increased from $4,701,770,000 in the calendar year 1948 to $7,549,154,000 in 1952 and to $7,931,027,000 for the nine months ended Sept. 30, 1953. Net income for the full year 1952 was $558,721,000 and for the nine months ended Sept. 30, 1953 was $452,798,000.

Capitalization of the corporation, in addition to $300,000,000 of new debentures, consists of 1,835,644 shares of $5 series preferred stock, 1,000,000 shares of $3.75 series preferred stock and 88,513,817 shares of common stock of $5 par value.

The underwriting group includes: Blyth & Co., Inc.; Dillon, Read & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Drexel & Co.; Eastman, Dillon & Co.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Lazard Freres & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler.

Smith, Barney & Co.; Stone & Webster Securities Corp.; Union Securities Corp.; White, Weld & Co.; Lee Higginson Corp.; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; Clark, Dodge & Co.; Dominick & Dominick; Equitable Securities Corp.; Hallgarten & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; W. E. Hutton & Co.; R. W. Pressprich & Co.; L. F. Rothschild & Co.; Spencer Trask & Co.; Tucker, Anthony & Co.; Wertheim & Co.

Dean Witter & Co.; Wood, Struthers & Co.; A. C. Allyn & Co. Inc.; Bear, Stearns & Co.; A. G. Becker & Co. Inc.; Alex. Brown & Sons; Central Republic Co. Inc.; Dick & Merle-Smith; Francis I. du Pont & Co.; Estabrook & Co.; Folger, Nolan-W. B. Hibbs & Co., Inc.; Ladenburg, Thalmann & Co.; W. C. Langley & Co.; Carl M. Loeb, Rhoades & Co.; Laurence M. Marks & Co.; Reynolds & Co.; Shields & Co.; G. H. Walker & Co.

Winner Heads Dept. For Stanley Heller

Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock Exchange and American Stock Exchange, are pleased to announce that Arthur A. Winner, formerly with Hettleman & Co., has joined their organization as Manager of the Arbitrage and Trading Department.

Arthur J. Vogel

Arthur J. Vogel, partner in Spear & Leeds, New York City, passed away Dec. 2.

Long-Term Factors Are Working for the Farmers

By HON. EZRA TAFT BENSON*
Secretary of Agriculture

Secretary Benson lists as among the long-term factors which will benefit the farmer of tomorrow: (1) rapidly increasing populations; (2) outlook for heavier U. S. agricultural exports; (3) improved farm production and farm marketing methods; (4) many new and profitable crops in the future. Asserts his objection to present farm price supports is that it gives the farmer too little instead of too much, and says his aim is to develop a program which will help farmers gain full parity prices "in market place and not in warehouse." Outlines real tests of an adequate farm program, and holds abundance should not be viewed as an evil. Points out over-all reduction in farm output can have terrific repercussions in our entire economy.

Many of the great political upheavals of our times, both in Europe and in Asia, have in no small part been touched off by the hunger of millions of people for use and possession of the land. In England during the early part of the past century, the expression "three acres and a cow" expressed the hopes of many for what seemed then to represent security. In our own country, the emancipation of the slaves brought into popular usage the well-known "ten acres and a mule." From the beginning of time, men everywhere have sought, and often fought, for ownership of the land. More than gold itself, the land has been the embodiment of man's dreams of security.

Ezra Taft Benson

While the quest for religious and political freedom prompted many of our early settlers to seek the sanctuary of the New World, it was the the land — rich and fertile and more than enough for all—which nurtured those aspirations through the trying years. Again, it was the lure of the land which pushed our frontiers back to the Ohio and finally dissolved them altogether in the great wave of immigration which followed the enactment of our Homestead Laws.

In a nation where the land has played such a dominant role, it is no accident that so many of our great men have been the products of rural America.

We think of George Washington primarily as a statesman and a soldier—but he was also one of the most successful farmers of his time.

Thomas Jefferson has been called the father of scientific agriculture.

The humble beginnings of Abraham Lincoln will stand for all time as an inspiration to our rural youth.

President Dwight D. Eisenhower, our great leader of today, spent his formative years in rural America.

The pages of American history are studded with the names of men and women who came from our farms to win national and world acclaim.

Are such opportunities behind us? Has the door of opportunity swung shut? On the contrary, the future offers even greater challenges for rural youth to serve mankind. Time is working, as never before, on the side of American agriculture.

The farmer of today faces a rapidly expanding domestic demand for food and fiber — one which he may be hard-pressed to fill in a matter of just a few years. As recently as 1940 there were 132 million Americans. Today there are 160 million and by 1975 there may be 200 million or more.

While our population has been growing, the number of persons actually engaged in farming has steadily declined—and is still declining. In a relatively short time, substantially fewer farmers will have to fulfill the needs of twice as many people as there were in the United States at the turn of the century. They will have to obtain greatly expanded production from approximately the same number of acres now in use.

Here, indeed, is a challenge to the young men and women of rural America! And here, too, I think is food for thought for farm youths who may have been led to believe that the day of rural opportunity is over and that a more certain future lies in our cities.

The Long-Term Farm Outlook

There are other important long-term factors working for the farmer of tomorrow. World population is increasing at the rate of 23 million annually. Many of the most densely populated areas of the globe can never be anywhere nearly self-sufficient. Their dependence upon the North American countries for food is likely to become increasingly greater.

This suggests that the sharp decline in our agricultural exports, which has been under way for more than two years, is almost certain to be reversed.

We are taking all practical steps possible to expand our export outlets—and we shall continue to do so. In our search for broader world markets, however, we must never forget that trade is a two-way street. Lack of desire has not been the most important factor in the slump in farm exports but rather the inability of people of other nations to buy our products. The so-called dollar shortage stems directly from the fact that these countries have been unable to sell enough goods in the United States to obtain the dollars they need to buy here. Moreover, our price support programs have complicated matters by often pricing some commodities, such as wheat and cotton, out of world markets. Nevertheless, through an intelligent approach to this question I believe the long-term outlook will be for expanding foreign trade.

Another bright star in the diadem of agricultural prosperity is the almost unlimited opportunity to make progress through research and improved marketing methods. Our scientists have made tremendous progress in developing new crops, increasing the uses for established products, and stimulating farm productivity. Yet who shall say that we have made more than a beginning in this field?

Some of our marketing methods, especially in the handling of perishable commodities, are little better than archaic. Losses caused by delay, spoilage, and excessive handling costs are staggering. Up to 30% of some fresh fruits and vegetables are lost by spoilage between the farm and the dinner table. Improvements are long overdue. They will be made. And they will bring higher income to farmers, lower costs to consumers, and a rising standard of living for the American people.

There is vast opportunity for agriculture to revise its emphasis on certain crops to meet the ever-changing demands of consumers. Forty years ago annual per capita consumption of wheat flour in this country was well over 200 pounds. Today it is about 130 pounds. Per capita consumption of rye flour is only 30% of what it was in the early part of the century.

But this year we are eating beef at the rate of 75 pounds per person, the highest in our history. We eat many more eggs than our grandparents or our parents did. Consumption of citrus fruits and other fresh fruits and vegetables has skyrocketed, as we have improved methods of packaging and distribution.

Many New Crops in Offing

There will be many new crops in your future and mine—and new crops can mean much to our agricultural economy. For example, take soybeans. In the mid-twenties, farmers produced fewer than five million bushels of soybeans per year. Annual production now ranges between 250 and 300 million bushels. Not only are soybeans a most important cash crop to thousands of individual farmers, but a new industry has been created. Processing plants convert soybeans into livestock and poultry feed, and into oil for many uses—from shortening and margarine to paint and plastics.

No, there is nothing static about demands for farm products. And those of us who choose agriculture for a career must carefully plan our operations with a constant view to the changing diet of the American people and the shifting demands of industry.

At the same time, it seems to me that those of us who are charged with planning and administering the national farm programs of the future must devise an elastic system which can be effectively geared to our changing needs. The price support principle will undoubtedly be a part of our future farm programs. But does anyone believe that we have reached the ultimate in the laws now on the statute books? Should not the existing legislation be a starting point, rather than a final goal, in our search for the best possible plan?

Farm Price Supports

My personal views on farm price supports have apparently been misunderstood in some quarters—or perhaps they have been deliberately distorted for political purposes. But I have said before —and I say it again now—that my principal objection to the present program is not that it gives the farmer too much **but that it gives him too little.**

I have never suggested any change which would have the effect of reducing the long-time American farm income — and I never shall. Instead, my whole concern is to aid in developing a program which will help farmers gain full parity of price and income in our market places—rather than some fraction of parity in a government warehouse.

There is but one view of farm policy in the Executive branch, as I see it. That is the view held by President Eisenhower; a view which I fully support. It is that the present laws be fully implemented, that improvements in these laws be sought, and that these improvements be aimed at attaining full parity of farm prices. I have been telling the press and everyone who will listen that the farmers must receive their fair share of national income.

The real tests of any farm program are these: Will it work? Will it help the farmer achieve not 60 or 75 or 90%, or any other arbitrarily-fixed percentage of parity, but a full 100% in the market place?

Will it provide an abundance of food for consumers at reasonable prices?

Will it be elastic enough to permit rapid shifts in production from one crop to another to meet the changing demands of domestic and foreign markets?

Will it be self-financing at least to the point where it will not impose undue burden upon the public treasury?

Will it aid in conserving our national resources?

Will it encourage the development and expansion of new uses and markets for agricultural commodities?

Will it provide a maximum of opportunity for farmers themselves to supervise operations at a local level with a minimum of interference from Washington?

Will it facilitate the widest possible distribution of abundant production or will it be based upon the discredited theory of planned scarcity?

In short, will it be a living, dynamic program in the great American tradition?

Present Program Does Not Meet Tests

Does the existing farm program meet this over-all test? Of course not. It has functioned effectively only during and immediately following years of war, when there were abnormal demands both here and abroad for every available pound of food and fiber. From 1932 until the war year of 1942, the parity price ratio ranged between 58 and 93%.

By the spring of 1950, a few years after the war, prices of many farm commodities were well below their present levels. Commodity Credit Corporation loans had mounted so high that the Department was forced to call upon Congress for an additional \$2 billion in lending authority. Government warehouses bulged with surplus farm goods. The entire program gave every sign of bogging down completely. Only the outbreak of the Korean War postponed the day of reckoning — but at what a price in blood, in heartbreak, and in treasure!

The farm surplus problems of early 1950 are with us once more. It is the prayer of every American that the solution shall never again come as an incidental result of mass destruction and slaughter. Let us build on a far more solid foundation. Let us build on a future designed to insure continuing prosperity without war.

Jonathan Swift wrote: "Whoever could make two ears of corn, or two blades of grass, to grow upon a spot of ground where only one grew before would deserve better of mankind and do more essential service to his country than the whole race of politicians put together."

Farmers of America, working with scientists, have literally done this, and more. Yet there are those who view the march of progress with dismay. They see the end result of increasing and more efficient production only as a vexing political problem which can best be solved by slapping arbitrary restraints upon the full potentialities of our farmers. Men of narrow vision, they do not comprehend that humanity at last has unlocked enough of Nature's secrets so that wisely applied we need no longer fear famine—a fear which has haunted most of mankind from the dawn of time. I would not throw away that key.

Abundance Should Be Viewed As an Opportunity

Not that we can feed the world; our surpluses could almost be absorbed overnight by Asia's teeming millions. But certainly we should view abundance as an opportunity. And we should expand in every practical way our trade relations with all friendly countries and, through technical assistance, help the half-clothed and the hungry to help themselves.

Of course, under existing farm legislation, the Secretary of Agriculture must proclaim marketing quotas, except in prescribed situations, whenever supplies of certain commodities reach specified levels. I do not believe that most farmers like quotas any better than I do. In the wheat referendum of last August, when forced to choose between production controls and much lower prices, wheat farmers chose controls.

It appears likely that cotton farmers will also approve marketing quotas; under the present farm law, there is no acceptable alternative. Now we face the problem of what to do with the diverted acres.

But isn't it obvious that production controls are not the real answer to the farm problem? While they may provide higher prices for a given crop, prices, as such, are only a part of the farm income equation. We must multiply price by volume to determine actual gross income.

Moreover, production costs per unit rise with artificial restraints on output. The real estate and personal property taxes of the wheat or cotton farmer remain at the same level, whether he produces at 100 or 75% of capacity. The interest on his debts remains the same. His machinery depreciates. His labor costs and his other operating expenses are not reduced proportionately to his curtailed production.

Adverse Impact of Over-All Reduction in Farm Output

It is a fallacy that rigid price supports and production controls insure high farm income — and it can be an extremely dangerous fallacy. The effects of reduced agricultural output do not stop with the farmer himself. Actually, the number of people who earn all or a part of their daily living through transporting, processing, packaging, and merchandising the products of our farms far exceeds those actually engaged in agriculture itself. An over-all reduction in farm output can have terrific repercussions in our entire economy.

Certainly we must shift production to meet demand; but let us never lose sight of our real goal: a constantly increasing and more efficient production of farm goods. We cannot hope to match the swift, giant strides of agriculture's scientific advances with the faltering, pygmy steps of obsolete farm programs.

And let those who would shackle agriculture with more and more controls from Washington study well the experience of Russia and the Iron Curtain countries where regimentation of the farmer has reached the ultimate. Per unit production has steadily declined and even sharply reduced quotas have gone unfulfilled. The situation has become so bad that even the communist masters, who rarely admit mistakes, have been forced to confess that food output has fallen alarmingly and that the state must relax some of the harsher controls to secure increased production. The attempted collectivization of farming in the

*An address by Secy. Benson before the National 4-H Club Congress, Chicago, Ill., Nov. 30, 1953.

satellite countries has been a marked failure.

A Long-Range Program Needed

A great nation-wide discussion of farm programs and program needs has been going on. Farmers and farm organizations, farm educational leaders and representatives of the entire agriculture industry, Congressional Committees of both the House and Senate, and people in the Department are all taking part in it. I urge especially the young farm men and women of our country to interest themselves even more in the development of a long-range agricultural program. You will have the most to gain or to lose.

At the same time, let us remember that ours is a government of laws, not of men. The Constitution wisely provides for a clear division of powers and responsibilities among the three branches of government. As a representative of the Executive Branch, while I may offer suggestions concerning farm policy to the Congress, it is the Congress itself which determines the form which our agricultural programs shall take. In keeping with this basic principle we have sought in every way possible to carry out the provisions of the present farm act. In fact, this Administration has given farmers a greater opportunity than ever to take full advantage of the price support laws and related assistance programs.

Let me quickly call the roll on this subject.

We extended price supports on dairy products at 90% of parity, although a sharp reduction was permitted under the law.

We extended supports on oats, rye, and barley at 85% of parity, even though there is no legal requirement to provide storage loans on these non-basic crops. We offered special "distress loans" to farmers who, at the peak of the harvest season, were forced to store wheat on the ground or in temporary structures. We also relaxed requirements to permit loans on light-weight wheat in the areas hit by rust this year.

When it became apparent that available grain storage would not be adequate to handle the near-record production of 1953, we moved promptly to encourage the rapid expansion of warehousing facilities. To the farmer who cannot obtain storage space, the loan program is not fully effective. We were determined that there should be no forced dumping of commodities on the markets at the height of the harvest when prices are usually at their lowest.

In May, the Department of Agriculture announced that loans at low interest rates would be available to farmers for the purchase or construction of additional bins and cribs. A special "use guarantee" program was announced to encourage expanded construction of commercial storage space. These programs were given additional impetus through Congressional action permitting farmers and warehousemen to amortize the cost of new storage structures, for income tax purposes, over a five-year period.

As of Nov. 23, acceptances under the Department's grain occupancy guarantee program covered more than 217 million bushels of new commercial storage space. That is approximately six times the total amount of public grain storage space available in this great market of Chicago.

At the same time, the Department acquired additional facilities for storing the CCC owned stocks, thereby easing the strain on other storage.

Farmers were permitted to reseal 1952 loan stocks of corn, wheat, and oats, earning a storage fee for holding them on the farms a second year.

Arrangements were made to store CCC grain in the idle ships of the maritime fleet.

CCC purchased storage bins with a capacity of nearly 100 million bushels to permit prompt delivery of loan stocks in areas where commercial facilities were inadequate. This made much-needed space available to farmers who might have been unable to obtain loans on their 1953 crops without it.

The problem of moving government-held food stocks into channels of consumption has been attacked with new vigor. During the first 10 months of this year, more than 106 million dollars of so-called Section 32 funds—special funds available from customs receipts—have been used to move surpluses and seek new outlets for commodities hardest hit by price declines. An additional $100 million has been earmarked for similar purposes in the months ahead. These outlays compare with an average annual expenditure of about $60 million from such funds during the five years preceding 1953.

The beef purchase program—undertaken to help stabilize the market of livestock producers caught in a serious price squeeze—is a prime example of how these funds have been employed. We have let contracts for approximately 230 million pounds of beef—the equivalent of more than 800,000 head of cattle—which will be taken off the market to strengthen prices, especially for grass-fed cattle from the ranges of the drought country. We have also undertaken, in cooperation with the food industry, special merchandising campaigns designed to broaden the outlet for beef and other surplus commodities. The fact that Americans are today consuming beef at the highest rate in history is testimony to the effectiveness of this campaign.

We have moved surplus feeds, at reduced freight rates, into the drought areas to enable farmers and ranchers to save their foundation herds.

The task of managing the huge surpluses of government-owned commodities which we inherited from the preceding Administration has not been easy. It cost the government $14.1 million during the month of August just to store the commodities then on hand—an average of $455,000 per day—and our stocks have risen considerably since then. As I have indicated, the necessity for finding the additional storage space required to house these surpluses was an immediate one. The question of their eventual disposition poses even thornier problems.

It has been our policy to offer these commodities for sale in our domestic and foreign markets in strict accordance with the law. To do otherwise would only force free market prices lower, with the certain result that we would acquire even more of these same commodities under our price support operations.

Nevertheless, the very existence of these surpluses, overhanging our markets, tends to exert downward pressure on all farm prices. There is always the fear that these commodities may some day be dumped by the government upon an already overburdened market.

On that point may I make this clear assurance: the surplus commodities now in the hands of Commodity Credit Corporation will be handled in such a manner as to protect our farm price levels and our price support laws.

I have listed these various actions in some detail to show conclusively that this Administration has initiated an unprecedented series of supplemental and supporting steps to aid farmers. We will continue to combat the surplus problem, and the resulting price squeeze, which were left on our doorstep last January.

In our concern over the immediate and pressing problems of agriculture, however, we must never lose sight of our moral and spiritual values and the traditions of self-help and free enterprise which have made America great. In the future, as in the past, much of our leadership will be recruited from rural America. This in itself is one of our best guarantees that our free way of life will be continued. Farm people through the ages have been in the forefront of the continuing battle against tyranny and despotism. Here in America they have been a great bulwark against socialism and the staunchest defenders of our basic freedoms.

The youth organizations of America—the Four-H Clubs, the Future Farmers of America, the Boy Scouts and others—are doing a tremendous job in preparing our young people for their heavy responsibilities which lie ahead.

Tomorrow belongs to youth. It belongs to you. Tomorrow can be as bright as you yourselves resolve to make it. I know you will not fail. May God bless and keep you.

Bechtel, Willings With Watling, Lerchen

Charles Bechtel

DETROIT, Mich.—Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges, on Jan. 1 will admit Charles C. Bechtel and Charles P. Willings to partnership. Mr. Bechtel is manager of the firm's municipal department. Mr. Willings is manager of the firm's Ann Arbor office, Ann Arbor Trust Building.

Duquesne Light Preferred Offered

A new issue of 100,000 shares of Duquesne Light Company 4.20%, $50 par value, preferred stock was offered on Dec. 8 by a banking group headed by The First Boston Corp. The stock was priced at $51.21 per share and is redeemable at prices ranging from $53.46 to $51.71 per share.

Proceeds from the sale will be used to finance in part the company's program of construction under which approximately $95,000,000 will be expended in the years 1953-1955, inclusive. Chief projects in the program are two new units having a combined generating capacity of 270,000 kilowatts which will boost the utility's net capability to 1,225,800 kws.

Duquesne Light supplies electric service in Allegheny and Beaver counties, including the highly industrialized City of Pittsburgh and surrounding area. Operating revenues for the 12 months ended June 30, 1953 totaled $80,745,000 and net income for the period was $14,622,000.

Fordon, Aldinger Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Henry R. Bishop has been added to the staff of Fordon, Aldinger & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges.

Pension Fund Growth Put at $2 Billion Yearly

New York Federal Reserve Bank, in current "Monthly Review," estimates at $17 billion accumulation of these funds covering 10 million workers, and growing at rate of over $2 billion a year. Traces effects of pensions on savings and spending.

More than $17 billion is now accumulated in private pension funds covering more than 10 million workers, and these funds are growing at an estimated rate of over $2 billion a year, the Federal Reserve Bank of New York reports in its "Monthly Review" for December.

Total private pension plans now probably exceed 15,000 in number, compared with about 7,000 at the end of World War II and 2,000 before the war, the bank explains. The chief stimuli to the spread of these plans have included the Social Security Act (passed in 1935), high corporate tax rates during and since the war, and a decision by the National Labor Relations Board in 1949 that made pensions an appropriate subject for collective bargaining.

Since much of the recent sharp rise in funds accumulated has reflected the adoption of pension fund plans by large corporations and contributions made for past service credit, and since payments to pensioners have been lower in recent years than they will be in the future, it may well be that the rate of growth in funds accumulated will be less rapid in years to come.

The bank estimates that life insurance companies handle slightly less than half the funds going into private pension plans, with banks and trust companies and—to a lesser extent—investment committees of the employing corporations accounting for more than half. While the insurance companies handle less than half the dollars paid into the funds, they administer about 90% of the plans now being operated.

Regarding the effect of pension provisions on other savings and spending, the "Monthly Review" states:

"The marked growth in the number of private pension plans and in the number of employees covered has had its financial counterpart in a large and growing volume of funds accruing to the credit of employees as future pension benefits. Whether these funds constitute new savings or merely represent a diversion of savings from one form to another is a question that cannot be answered with any assurance. To the extent that employees would otherwise fail to make adequate provision for old age, it can be contended that employee contributions to pension funds represent money that would be spent. For the most part, these savings may be added to other savings, for it is doubtful that saving for other purposes—for emergencies and for the purchase of a home (including retirement of home mortgage debt)—will be reduced because of the assurance of pensions. On the other hand, to the extent that the assurance of a pension makes individuals less concerned with the problem of retirement income and thus results in reduced personal saving, employee contributions would represent a diversion of savings. However, it is probable that without the aid of a pension most persons individually would fail to make adequate financial preparation for old age. Employee contributions may consequently be regarded as new savings.

"It is even more difficult, if not impossible, to trace the incidence on spending and consumption of the much larger employer contributions to pension plans. To the extent that, as an expense of business, the costs of such contributions are passed on to consumers in the form of higher prices, it might be argued that such employer contributions represent forced savings drawn from the consuming public. On the other hand, pension contributions by corporations might also be regarded as a reduction of retained earnings dividends, and income taxes. A reduction in corporate undistributed profits would presumably result in a shift from corporate savings to savings in the form of pension fund contributions, with the accompanying effect of increasing the importance of external financing through the capital markets as a source of corporate funds. Perhaps the only conclusion that can be reached is that corporate contributions to pension funds represent in part a source of new savings and in part a shift in the form of savings."

Year-End Tax Pointers

By VICTOR R. WOLDER*
Attorney and Counselor at Law, New York City

Mr. Wolder gives information regarding income tax audits, as well as matters pertaining to change in accounting period; holding period of capital assets; deductibility as business expense of life insurance premium by creditor; life insurance proceeds payable to a partnership; exemptions for dependents; disability payments; and other items.

This is the time of the year when everyone starts to think more and more of taxes. How is the income to be cut down, and how are the deductions to be increased. Such thinking is always prominent at the year-end, but it becomes of added importance when the expected tax rates for next year are to be lower than the rates presently effective. Here are some of my year-end tax thoughts.

Victor R. Wolder

Inviting An Audit of a Tax Return

It is a fact that only a small portion of individual taxpayers' returns are examined to the extent that a taxpayer is asked to verify his income and justify his deductions. In many cases, a taxpayer's returns will not be examined for perhaps five or 10 years. Oftentimes, what starts out as a minor discrepancy by a taxpayer in reporting his income or in calculating his deductions, gradually grows larger each year—all with the result that there comes a day when the item is out of all proportion to the taxpayer's gross income or net income. It is just such an item that glaringly attracts the attention of a revenue agent upon any preliminary examination of the return, and quite naturally results in the entire return being carefully examined and the taxpayer asked to justify and verify his income and deductions.

Likewise, too, an examination is almost automatically brought about by the filing of an amended return, or a claim for refund. It is not unusual for an individual or corporate taxpayer to inadvertently omit a proper expense item or credit as a deduction on the return. In order to correct the error, an amended return or a refund claim is promptly filed. This too brings about an examination by the revenue agent. It is well known, too, that sometimes these examinations result in the agent finding deficiencies in the tax which more than offset the expected tax saving or refund to the taxpayer.

New Procedure to Examine Tax Returns

Something new in the examination of returns has been started by the Internal Revenue Service. Taxpayers who file and pay excise tax returns as well as income tax returns are to be examined by one revenue agent instead of two. In other words, instead of one agent auditing only the excise tax returns, and the other only the income tax returns, now the same agent will examine both returns. Instruction of agents has been progressing. Examinations are expected to take longer than previously.

*An address by Mr. Wolder before the Accountants Association of New York, Inc., New York City, Nov. 4, 1953.

What About Your Election on Involuntary Capital Gains Such as From Condemnation Award, Or Fire Insurance Proceeds

One of the exceptional rights of election a taxpayer has comes from gains resulting from involuntary conversion, such as condemnation awards, fire insurance proceeds, and the like. Under existing law, a taxpayer may report the gain as long-term capital gain, or may elect to reinvest the gain in property of like kind, without payment of tax. Taxpayer, however, does not have to exercise such right of election until the close of the tax year following the year in which the gain takes place. Thus, if such a gain occurred this year, taxpayer may wait until the end of 1954 to make his election to report the gain or reinvest the proceeds. Also, as to gains of this nature occurring last year, if taxpayer did not report them, it is necessary that election be made by the end of this tax year.

Right to Change of Accounting Period

Do you know about the change which occurred in Treasury Department regulations a few months ago which will permit taxpayers under certain circumstances to make a change of accounting period from a calendar year to any fiscal year or vice versa? In the past, the prior approval of the Commissioner of Internal Revenue was required to make a change in accounting period; but under the law regulation no permission is required if:

(a) An extra return is filed for the short period;

(b) The short period is not more than three months, or is a period of nine months or more;

(c) The taxpayer's net income for the short taxable period, annualized, is at least 80% of the net income for the preceding 12 months taxable year; and

(d) Taxpayer has not changed its accounting period for the past five calendar years ending with the calendar year which includes the beginning of the short taxable year.

For the purposes of the five calendar year provision, accounting period changes by a partner is considered a change by the partnership, and vice versa. Also, a change by a beneficiary is considered a change by a trust, and vice versa.

There are many circumstances when change of an accounting period is desirable. Here is a grand opportunity to do so without prior approval by the Commissioner.

Holding Period of Capital Assets

It can be said that taxpayers are very conscious of whether a gain or loss is ordinary income or ordinary loss, and if it is a capital transaction, they generally prefer long-term gains and short-term losses. It is around this time of the year when taxpayers unloading capital assets for tax purposes give ever so much attention to the problem. Here is a brief review of how to determine the holding period.

The period a capital asset is held is computed by "excluding" the day on which the asset was acquired and "including" the day on which it is sold. For example, if taxpayer acquired the asset on Feb. 28, the holding period starts on March 1. If the asset is sold on or before Aug. 28, the resulting gain or loss would be "short-term" because the asset was not held "more than six months." But if sold on Aug. 29, it would be more than six months, and hence "long-term." In one recent case, for example, the purchase on June 19, 1945 and sale on Dec. 19, 1945, was held short-term. The same was so held for stock acquired May 1, 1944 and sold Nov. 1, 1944, even though the holding period was 184 days, i.e., actually more than one-half the number of days in 1944.

Of course, when you have the application of the "wash" sale rule, the Treasury Department has a slightly different rule, and it is necessary to consult recent rulings by the Department on this subject.

Sometimes the question arises as to what is the length of the "holding" period, in transactions dealing with construction costs. For example, a taxpayer builds a new plant. It takes eight months to do so from the time it acquires the land without any building until the date the building is completed. In a recent case, it was held that if construction takes more than six months, the costs may be apportioned; and if the property is sold almost immediately after completion, part of the gain would be treated as long-term gain. The gain (or loss for that matter) could be allocated based on what part of the cost was incurred more than six months preceding the sale, and what part less than six months preceding the sale.

Deductibility of Life Insurance Premium by Creditor as Business Expense

For many years the Commissioner of Internal Revenue has recognized that premiums on life insurance paid by a creditor who held the insurance as collateral, were deductible as a business expense where the creditor finds its necessary to pay the premium in order to protect the loan. The Commissioner takes the position that the deductibility is limited to situations where the creditor's right to reimbursement of the loan by the debtor personally or out of the proceeds of the policy is worthless at the time the premium is paid: A recent Tax Court decision, however, goes somewhat further. In that case, the Court said that the creditor's payment of the premium on insurance held by the creditor as collateral security, is deductible in full as a business expense "where the payments are made with the hope of recovery of the full amount of the indebtedness."

Are Life Insurance Proceeds Payable to the Partnership to Be Treated as Income?

The Internal Revenue Code Sec. 22 (b)(1)(A) lays down the general rule exempting from income tax "amounts received under a life insurance paid by reason of the death of the insured." An exception is made when a life insurance policy is transferred for a valuable consideration. In that case, the gain over the cost of the policy and premium paid is taxable when received. Another exception applies, even though the transfer is for a valuable consideration, in a case where the transferee's basis is determined by reference to the basis in the hands of the transferor. Under Section 113(a)(13) of the Code, the basis of a policy acquired by a partnership as a capital contribution of a partner is the same in the hands of the partnership as it was in the hands of the partner. Under this circumstance, when the partner dies, the proceeds of the policy received by the partnership are exempt from income taxes. This was the subject of a recent ruling by the Commissioner of Internal Revenue.

Premiums paid for carrying life insurance are generally not deductible. They are ordinarily considered a personal expense. Premiums paid by the partnership on insurance owned by it on a partner's life are not deductible because the insured partner is financially interested in the business carried out by the partnership.

Reporting of Final Return Where Partnership Continued After Death or Withdrawal of Partner

There is always a problem when a partner dies or withdraws from a partnership. The question comes up—must the distributive share of the partner's profits for the period from the end of the last taxable period of the partnership, to the date of death or withdrawal be included in the final return of the deceased partner or the return for the year in which he withdraws? The answer to the question depends almost entirely on the terms of the partnership agreement. If the agreement provided for the continuation of the partnership notwithstanding the death or withdrawal of a partner, then as a general proposition the death, withdrawal, or even the substitution or addition of a partner will not, in itself, effect a termination of the partnership for Federal income tax purposes. That is the effect of the latest ruling by the Treasury Department on this subject. The returns of the partnership, in such case, should continue to be filed on the basis of the accounting period previously established.

The further effect of this ruling is to bring the Treasury Department view more in line with the majority of the rulings by the various Federal Courts of Appeal which hold that the withdrawing partner or the estate of the deceased partner does not have to report the income for the last year until the time that the regular accounting period of the partnership ends.

Exemptions for Dependents

One of the largest problem producers is the determination of how many exemptions a taxpayer is entitled to for dependents he supports. The Internal Revenue Code (Sec. 25) grants an exemption for each dependent whose gross incomes in the year is less than $600 and "over half of whose support" is received from the taxpayer. The words "over half of whose support" refers to actual cost rather than the time duration of the support, according to the Tax Court. Thus, taxpayer supported his minor son from Jan. 1 to July 7, 1949, on which date he joined the Navy. The boy's gross income was below the specified amount. The taxpayer had supported the boy for more than one-half year. The Court denied the dependency deduction because taxpayer failed to prove that he furnished more support for the boy than the Navy did in 1949. In connection with the value of the support furnished, the taxpayer is entitled to include the value of all food, lodging, clothing and all items generally necessary to maintain a person. It does not have to be cash.

Incidentally, on the question of the taxpayer's gross income, a taxpayer has to keep in mind that there is no final authoritative decision on the subject as to just what gross income means. For example, suppose taxpayer furnishes more than half the support of his mother. His mother owns a certain parcel of land and building which is rented out under a net lease of $650 per year. The mother has a $60 annual deduction for depreciation, making her net income $590. Query, can she be claimed as a dependent?

One court case went something like this: A boy with a news route, when the gross income provisions were $500, had income of about $503. The agent denied the dependency exemption. The boy said he had $5 repairs on his bike which he used to deliver his papers. The Court permitted the deduction of $5 to be made bringing the boy's income to $498 and permitted the dependency exemption to stand.

In another case, the boy was studying to be a doctor. He owned a microscope which he used in connection with his earnings. He claimed $60 depreciation on the miscoscope in order to bring his income below the required maximum. The Court held the depreciation deduction cannot be recognized — and "gross income" means exactly what it says—gross income—not net income.

Deductibility of Accrued But Unpaid Expenses Owing by Partnership to Partner

Is interest paid by a partnership on a loan from a partner deductible? So long as there is a bona fide legal indebtedness existing the answer appears to be in the affirmative. Would the interest be deductible if accrued but unpaid? There appears to be no reason why the accrual cannot be made by an accrual basis partnership. The only question involved is whether a bona fide indebtedness exists. The Commissioner may contend that the advance made by the partner to his firm was not a loan but a capital contribution. Interest on capital or surplus invested in the partnership business by a partner is not deductible. But interest on a loan is.

Hence, partners who loan money to their partnerships should make sure that their records are kept in order, and the loans evidenced by proper notes. Section 24(b) and (c) one of the loophole closing sections of the Code does not generally supply to partnerships.

Disability Payments and Plans

Under the New York State Disability Law, employees may be required to contribute toward the cost of providing non-occupation disability benefits. However, under a plan which may be entered into, the employer may assume and pay for the amounts which the employees could otherwise be required to pay. It has been ruled by the Treasury Department that such assumption of payment by the employer does not constitute income to the employee, and no withholding is required thereon.

Another ruling by the Bureau, however, regarding disability payments, is not as favorable. It concerned payments received by an injured disabled employee from his employer in excess of workmen's compensation benefits. The employer had a plan to pay the employee a differential payment between what his regular salary would have been and what he actually received under workmen's compensation. The Treasury Department has held that the differential payments were not made as damages for injuries, or as health or accident insurance proceeds; and therefore should be included in income. Frankly, there is a substantial question about this. But it does appear that in a definite sense the extra differential payment is being made to the employee because of either past services or because of the desire to have him return and render future services for the employer. If it could be worked out under the plans that the differential payment is being made for damages (personal injuries) sustained by the employee, the excess payments could not be income.

Deductibility of Damage Payments And Refunds

Damages paid by a taxpayer are deductible in full if they are expenses or losses incurred in a business or profit making transaction, regardless of whether they

were incurred as a result of court judgment or settlement. If the compromise settlement or expenses were incurred in the taxpayer's business or collection of income, the expenditures are clearly deductible. This is so even though the taxpayer is no longer engaged in the business in the year of payment; for example, a damage claim paid by a taxpayer arising out of a misrepresentation made by the farmer on the sale of the farm. Payments of claims made as sale allowances, overpayments, mistaken payments,s, defective goods, breach of contract and the like are clearly deductible.

Of course, if the claim which is paid arose out of a capital payment, the Commissioner may contend that the loss resulting should be treated as a capital loss. However, if the taxpayer can demonstrate that he had entered into the transaction from a view of profit, as distinguished from a mere capital investment, the payment or settlement of tne claim will result in an ordinary loss deduction, allowable in full against ordinary income.

Gain on Securities Purchased At a Discount

The Internal Revenue Code specifically provides that the gain made upon the retirement or redemption of certain types of securities is to be recognized as capital gain. But the common conception unfortunately does not know this, and in fact erroneously construes other types of transactions and securities. If a taxpayer buys a note at a discount and holds it to maturity, the gain resulting on the retirement or redemption by reason of the note being paid in full is ordinary income. The average accountant is erroneously under the impression that the gain is capital gain. It makes no difference whether it's a bond, debenture, or evidence of indebtedness. But what makes a difference is whether the note or security is in registered form or coupon bearing. If so, then under Section 117 (f) of the Code, the gain is capital gain. There is a difference too if the non-registered or non-coupon bearing security is sold or exchanged before maturity with a resultant gain. Then the gain will be treated as capital gain. But if the security is held to maturity, the gain will be treated as ordinary income.

Legal Expenses Related to Divorce Or Property Settlements

It is now well established in the United States Tax Court that legal expenses incurred by a wife in order to obtain alimony or an increase in alimony are properly deductible in computing ordinary income. Legal expenses in connection with the obtaining of a divorce or separation are not deductible. However, if the alimony is obtained in the same proceeding as the divorce or separation, and only one attorney's fee paid, then the legal expense may be prorated. The Treasury Department now goes along with this view.

It may also be said that there is some authority for a husband to deduct legal expenses incurred by him in defense of his wife's suit to collect alimony awarded her under a decree. But the majority viewpoint thus far is that the husband may not deduct such expenses.

To be Stirling Morris Co.

BALTIMORE, Md. — On January 1 the firm name of Stirling, Morris & Bousman, Keyser Building, members of the Philadelphia-Baltimore Stock Exchange, will be changed to Stirling, Morris & Company. Floyd W. Bousman will retire from the firm Dec. 31 and H. Nelson Davis will be admitted to partnership.

Butler Engineering Stock at $1 a Share

Miller Securities Co., New York City, are offering publicly an issue of 215,000 shares of capital stock (par 10 cents) of Butler Engineering Co., Inc., at $1 per share on a "best-efforts" basis. Of these shares, 16,070 were initially offered to certain non-affiliated persons in discharge of claims aggregating $16,070.

It is presently contemplated that the net proceeds will be used for the following purposes, and in the following order to the extent that such funds are available: (1) Approximately $100,000 of the funds will be allocated to working capital; (2) approximately $40,000 thereof will be used for expenses in connection with the establishment of additional sales outlets, promotional assistance to all sales outlets and advertising; and (3) approximately $15,000 thereof will be used for further development, testing and research of the corporation's products and processes.

The company was incorporated on Dec. 23, 1952 in Louisiana. Its executive offices and the sales offices, of its wholly-owned sales subsidiary are located at 30 Church St., New York, N. Y. Its manufacturing operations are conducted at 2612 Rousseau St., New Orleans, La.

The corporation was organized for the purpose of acquiring the assets and business of Butler Engineering Co. a sole proprietorship owned and operated by Edgar M. Butler of New Orleans for about 15 years. The corporation is continuing the predecessor company's business of manufacturing and selling a group of devices—generally marketed under the trade name "Butler De-Scalers"—used to inhibit scale, rust and corrosion in boilers, steam generators, hot water systems, diesel and automotive units and the like.

Butler De-Scalers are manufactured and sold by the corporation under an exclusive license from The Butler Foundation, Inc., a non-profit foundation organized in Delaware to engage in educational charitable and research activities. Butler Foundation owns approximately 40 domestic and foreign patents and patent applications (covering more recent developments), relating to electrolytic and other water correction devices (some of which have been discontinued or superseded by later models), together with copyrights and trade-marks.

Robert F. Whitmer, Jr.

Robert F. Whitmer, Jr., partner in Mitchel, Whitmer, Watts & Co., New York City, passed away Dec. 2.

Creeping Inflation in Britain

By PAUL EINZIG

Dr. Einzig, commenting on British Government opinion that postwar "creeping" inflation has come to a halt, contends these views may be too optimistic, and there are reasons why price rises in Britain are likely to continue, even in the absence of a monetary expansion. Finds future wage hikes a likely inflation pressure.

The gratifying absence of any further rise in the cost of living in Britain in recent months is often quoted by Government spokesmen and experts as an indication that the "creeping" inflation of the postwar period has at last come to a halt. Unfortunately, optimism in this respect seems to be premature. There are clear indications that inflation is proceeding unabated even though its effect on the price level has recently been neutralized by the fall in world prices of foodstuffs and other commodities. The publication of the figures of the clearing banks for November provided a powerful reminder that inflation is far from being dead. It showed an increase of bank deposits by £45.3 million on the month and an increase of £235.4 million on the year. During the same period the note circulation also increased by some £90 million.

Dr. Paul Einzig

It is true, advances to the private sector of the national economy showed a decline of £67.5 million compared with twelve months ago, even though they showed an increase of £22.1 million for the month. But lending to the public sector of the national economy in the form of increasing the banks holdings of Treasury Bills showed an increase of £214.1 million on the year. So the restraint exercised on lending to business firms or private individuals was unable to check monetary expansion, let alone reverse it, owing to the increased requirements of the Government.

Admittedly, rearmament and the housing drive were mainly responsible for this increase of Government borrowing. It is because rearmament has come at last into its stride and because the housing drive has now exceeded considerably its optimistic target of 300,000 houses a year that the Treasury needs more money, and the banking system has to provide it. Justifiable as this expenditure undoubtedly is the fact remains that it results in a monetary expansion, which is liable to nullify the effect of the efforts to keep the private sector of the national economy short in credit. After all, once the Government has spent the money raised through the issue of Treasury Bills the purchasing power is acquired by the private sector and can be employed by that sector again and again.

Nor should the significance of the non-stop rise in the note circulation be underrated. Since the beginning of the War the average rise has been about £100 million per annum. It is all very well to argue that this rise has been the effect of a rise in prices which increased the requirements of the business community and of the public for the cash requirements. The same could be said equally truthfully about the volume of bank deposits. Any increase in prices tends to cause a corresponding increase in the volume of cash and of credit required for the transaction of the same volume of business. Nevertheless, it would be a mistake to assume that [illegible] credit were allowed to expand had no share in the responsibility for inflation. The fact that more often than not during the postwar period their expansion followed a previous rise in prices instead of preceding it in chronological order does not necessarily mean that monetary expansion played no part in causing prices to rise.

For a wide variety of causes prices may rise even in the absence of monetary expansion. They cannot in the long run remain, however, on their higher level unless their rise is confirmed and consolidated by a subsequent expansion of currency and credit. Had official monetary policy at any time during the postwar period made a determined effort to prevent an adjustment of the volume of currency and credit to a previous rise in prices, that rise would have become reversed sooner or later owing to the shortage of money that would have developed.

There is reason to believe that, in the absence of a further rise in prices during recent months, the increase in the amount of bank deposits and of Bank of England notes has now adjusted the volume of money to the requirements which had been increased by the previous rise in prices. While a year ago there had been many complaints on the part of businessmen, professional men and private individuals about cuts in the amounts of their bank credits, such complaints have now ceased almost completely. Business firms need not defer their plans for expanding their activities for lack of financial resources. Nor do they feel compelled by lack of financial resources to resist wages demands or to liquidate their stocks in a hurry.

The next chapter in the sad story of postwar inflation will probably be a further rise in prices through the granting of wages claims. From the point of view of the cost of living the wages demands of coal miners and railwaymen are particularly significant. If they should be met to any considerable extent the resulting increases in the price of coal and of transport charges are bound to set into motion the vicious spiral temporarily brought to a halt during recent months. In that case monetary requirements would increase once more as a result of higher prices and it would be considered once more necessary and justifiable to allow the note issue and bank deposits to expand to meet these increased requirements.

It is a great pity that the breathing space provided by the temporary cessation of the upward movement of prices has not been used for building up firm defenses against further inflation. This could have been done if the authorities had firmly resisted monetary expansion during recent months. Admittedly it would have lead to a certain degree of deflation and a moderate increase of unemployment. But then it would be too much to expect in this imperfect world of ours to be able to check inflation without having to make sacrifices to that end. As things are the monetary expansion of recent months has now opened the gate for further inflation.

du Pont Opens Branch

BAKERSFIELD, Cal.—Francis I. du Pont & Co. have opened an office in the Haberfelde Building, under the management of [illegible]

New Chicago Office For Merrill Lynch

CHICAGO, Ill.—The new North Michigan Avenue office of Merrill Lynch, Pierce, Fenner and Beane, largest brokerage firm in the country, opened Dec. 8, at the corner of Michigan Avenue and Wacker Drive, on the ground floor of the London Guarantee Building, John A. Orb, III, is Manager.

John A. Orb

This is the 112th office of the firm and the second for Chicago. The firm's other office in Chicago is presently in the Board of Trade Building.

The new office will be operated as a separate unit and will not be a branch of their present office. It will have complete brokerage and investment facilities.

Homer P. Hargrave, Chicago Managing Partner of the firm, says that this is the first of several offices his firm plans to open in the Chicago area. The new office is the initial step in a decentralization program. La Salle Street, which will always be the hub of things financial in Chicago, just as Wall Street is to New York City, is really not very convenient or accessible to thousands of Chicago investors, he observed. He says his firm wants to place its facilities in easy reach of the shopper, because nowadays people are so familiar with securities that they shop for investments the same as they shop for anything else.

The firm feels that the district north and south from the Chicago River on Michigan Avenue is fast becoming one of America's great shopping centers and will continue to grow. They want to be a part of this growth.

Mr. Orb, the Manager, graduated from Yale University in the class of 1941. During the war he served with the Army Air Corps for five years as a Lieutenant Colonel. He received the Distinguished Flying Cross and the Air Medal. He has been associated with Merrill Lynch, Pierce, Fenner & Beane since 1946.

Mr. Orb will have as his associates in the new office the following account executives, John C. Shelton, Jack E. Forbes, Harry D. Pepoon, Robert T. Mortimer, Philip J. Charleson, James T. Lundberg, Henry Ziemba, James R. Bogan and Richard K. Larson.

Halsey, Stuart Group Offer So. Pac. Ctfs.

A syndicate headed by Halsey, Stuart & Co. Inc. on Dec. 4 offered $5,925,000 of Southern Pacific Co. series LL 3% equipment trust certificates, maturing annually Nov. 1, 1954 to 1968 inclusive.

Subject to the authorization of the Interstate Commerce Commission, the certificates are priced to yield from 2.20% to 3.10%, according to maturity.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost not less than $7,900,000: 1,102 various types of gondola, hopper and flat cars.

Included in the offering group are—R. W. Pressprich & Co.; The Illinois Co. and McMaster Hutchinson [illegible]

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The election of 18 officers and employees to new official posts at The Marine Midland Trust Company of New York was announced

William M. Bedell Matthew E. Coffey

by James G. Blaine, President, following a meeting of the Board of Directors.

Promoted to Vice-President from Assistant Vice-President were Matthew E. Coffey and William M. Bedell.

Edmund G. Nelson, Lester L. Newkirk, Camile H. Talisse, and Frank J. Werner were advanced from Assistant Treasurer to Assistant Vice-President.

Elevated to new official posts were James Cangialosi, Vernon E. Collins, Thomas D. Ledwith, William D. Van Wart, Assistant Treasurers, and George F. Butterworth and Charles W. Morton, Assistant Secretaries.

* * *

Announcement of a revised Retirement Plan for officers and employees of The National City Bank of New York and City Bank Farmers Trust Company, New York and certain subsidiary corporations has been made by Howard C. Sheperd, Chairman of the Board of the Bank and the Trust Company. The Plan, which has been adopted by the Boards of Directors of both institutions, is subject to Treasury Department approval and ratification at the annual meetings of shareholders to be held on Jan. 12, 1954. It is intended to supersede the existing Plans, on April 1, 1954.

"The present Retirement Plans of National City Bank and City Bank Farmers Trust Company became effective April 1, 1941 and were based on conditions existing at the time," said Mr. Sheperd in announcing the proposed revised Plan. "Although they have been amended, experience in recent years has disclosed inequities and inadequacies and they do not meet the prevailing broader concept of the responsibility of employers for their employees after retirement. In justice to our valued employees and to enable us to attract a high-quality staff, our Plans should reflect these changes and provide retirement benefits commensurate with present day needs and standards."

The Bank and the Trust Company, under the revised Plan, will assume the entire cost of providing retirement benefits and employees will not be required to make any contributions. Under the present Plans, employees contribute about one-fifth and the institutions about four-fifths of the cost.

* * *

The Franklin National Bank of Franklin Square, N. Y. increased its common capital stock from $4,500,000 to $5,000,000 by a sale [illegible]

[illegible] on par [illegible] reported this increase [illegible]

* * *

The County Trust Company, White Plains, N. Y. has purchased property in Briarcliff Manor and will start construction of a drive-in office there soon, Dr. Joseph E. Hughes, President of the bank, announced on Dec. 3.

Briarcliff Manor will be the 18th Westchester community to be served by The County Trust Company, and the new office will be the bank's 26th, including the other drive-ins.

* * *

The merger of the Potsdam Bank and Trust Company of Potsdam, N. Y. into The Northern New York Trust Company, Watertown, New York was completed on Dec. 4. The combined resources of the merged institution will be approximately $53,000,000 and the deposits approximately $46,000,000.

President Bernard A. Gray stated that the Potsdam bank will continue as the Potsdam Office of The Northern New York Trust Company. Mr. Gray also said that the personnel of the Potsdam bank will continue in the new office except for Frederic R. Woodruff, who is retiring. Adam L. Sitterley, who was Executive Vice-President of the Potsdam bank, has become Vice-President of The Northern New York Trust Company in charge of the Potsdam office.

The Northern New York Trust Company is one of nine Marine Midland banks which operate 124 banking offices in 61 New York State communities. The Potsdam Office is the eighth branch office of The Northern New York Trust Company.

* * *

The Directors of The Detroit Bank, Detroit, Mich. will submit to the shareholders at their annual meeting on Jan. 19, 1954, a proposal to increase the Common Capital Stock of the bank by 75,000 shares, to be distributed to the shareholders as a Common Stock dividend on the basis of one share for each 10 shares held.

This will increase the Common Capital shares to 825,000 and establish the Common Capital stock as $8,250,000 while the surplus account will remain unchanged at $18,000,000.

In announcing the proposed 10% stock dividend, Raymond T. Perring, President, stated that consideration had also been given by the directors to the cash dividend rate and that while such payments would be determined by future conditions, it was expected the annual dividend will be increased in 1954 from $1.60 to $1.80 per share.

The combination of the stock dividend and the higher cash dividend rate will have the effect of increasing present shareholders' cash dividend income 23¾%.

* * *

Effective Nov. 23, the National Bank of Commerce of Lincoln, Neb. increased its common capital stock from $800,000 to $900,000 by a stock dividend and from $900,000 to $1,000,000 by sale of new stock.

* * *

The Fulton National Bank, Atlanta, Ga. is offering 50,000 additional shares of common stock for $1,375,000, the proceeds of which [illegible]

000 and its capital account by $500,000.

This new stock will have a par value of $10 and stockholders have the right to subscribe for the new stock at [illegible] [illegible] [illegible]

* * *

The common capital stock of the First National Bank of Arizona, Phoenix, Ariz. was increased effective Nov. 24 from $2,400,000 to $4,800,000. $1,200,000 of this increase was made by a stock dividend and $1,200,000 by the sale of new stock.

* * *

Three new Directors and a new Vice-President were announced for the Bank of Montreal, Montreal, Que. by [illegible], President, following the [illegible] annual meeting of shareholders on Dec. 7.

The new Directors are: Hugh G. Hilton, of Hamilton, Ont., President of the Steel Company of Canada Limited; Robert J. Dinning, of Calgary, President of Burns & Co., Ltd.; and Harold S. Foley, of Vancouver, President of the Powell River Company Limited.

John A. MacAulay, Q. C., of Winnipeg, who has served on the bank's directorate for many years, is the new Vice-President. He is currently President of the Canadian Bar Association.

S. D. Fuller Offers Stock of ORRadio

S. D. Fuller & Co. is offering 149,500 shares of common stock (par value 25 cents) of ORRadio Industries, Inc. at $2 per share.

Located in Opelika, Ala., ORRadio Industries is a manufacturer of magnetic sound recording tape. Proceeds from the stock sale will be used for expansion of manufacturing facilities necessitated by the rapidly increasing volume of business, for a sales promotion program and for additional working capital.

There are at present more than 40 companies manufacturing tape recorders, and only four companies manufacturing magnetic recording tape. Of these, ORRadio is the only company producing magnetic tape exclusively, it was announced.

The majority of the tape produced by the company is marketed under the trade name "Irish Brand."

Upon completion of the stock offering, the company's capitalization will consist of 422,500 shares of common stock and 75,000 stock purchase warrants, the latter to be issued 50,000 to the underwriter and 25,000 to company employees but not exercisable until 13 months after the present offering.

Glore, Forgan & Co. To Admit Partners

Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange and other exchanges, will admit Charles F. Glore, Jr., and Hunter E. Marston, Jr., to partnership on Dec. 17.

Three With Perry Blaine

(Special to The Financial Chronicle)

ASHTABULA, Ohio—Walter R. Davis, Howard M. Hall, and Fred P. Heskman have been added to the staff of Perry T. Blaine & Co., 4612 Main Avenue.

Kuhn, Loeb Arranges Erie Mining Financing

[illegible] also agreed to sell to Bethlehem Steel Corp., a stockholder of the company, up to $83,000,000 of such bonds.

Elton Hoyt 2nd, President of Erie Mining Co., on Dec. 4 announced that Erie has completed plans for financing the initial development of its program for the construction of facilities in Minnesota, for ultimately producing taconite pellets at the rate of 7,500,000 tons a year.

This was the first official statement that Erie Mining is definitely going ahead with its large-scale taconite program. Work has already started and may lead eventually to a total annual taconite pellet production of up to 10,500,000 tons involving the investment of more than $300,000,000.

Substantial equity capital has also been subscribed by Erie's four stockholders — Bethlehem Steel Corp. (45%), Youngstown Sheet & Tube Co. (35%), and Interlake Iron Corp. and The Steel Co., of Canada, Ltd. (10% each).

Erie Mining Company is managed and operated for the stockholders by Pickands Mather & Co., of which Mr. Hoyt is senior partner.

Last year the Defense Production Administration awarded [illegible] [illegible] up to 10,500,000 tons [illegible] production, the [illegible] project then [illegible] [illegible]

[illegible] calls for the largest initial ore concentrating plant ever to be built, located near Aurora, Minn., and also includes the construction of housing facilities for the plant's employees and their families; a 73-mile railroad from the plant to Two Islands, Minn., on the north shore of Lake Superior, and a harbor, docks, and a large electric power generating station for the [illegible] [illegible] mining has [illegible] iron properties [illegible] [illegible] [illegible] specifications, [illegible] for construction of the new concentrating plant.

Abbott, Proctor to Admit

Abbott, Proctor & Paine, [illegible] Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Hugh E. Paine, Jr. to partnership.

Creeping Inflation in Britain

By PAUL EINZIG

Dr. Einzig, commenting on British Government opinion that postwar "creeping" inflation has come to a halt, contends these views may be too optimistic, and there are reasons why price rises in Britain are likely to continue, even in the absence of a monetary expansion. Finds future wage hikes a likely inflation pressure.

The gratifying absence of any further rise in the cost of living in Britain in recent months is often quoted by Government spokesmen and experts as an indication that the "creeping" inflation of the postwar period has at last come to a halt. Unfortunately optimism in this respect seems to be premature. There are clear indications that inflation is proceeding unabated even though its effect on the price level has recently been neutralized by the fall in world prices of foodstuffs and other commodities. The publication of the figures of the clearing banks for November provided a powerful reminder that inflation is far from being dead. It showed an increase of bank deposits by £45.3 million on the month and an increase of £235.4 million on the year. During the same period the note circulation also increased by some £90 million.

Dr. Paul Einzig

It is true, advances to the private sector of the national economy showed a decline of £67.5 million compared with twelve months ago, even though they showed an increase of £22.1 million for the month. But lending to the public sector of the national economy in the form of increasing the banks holdings of Treasury Bills showed an increase of £214.1 million on the year. So the restraint exercised on lending to business firms or private individuals was unable to check monetary expansion, let alone reverse it, owing to the increased requirements of the Government.

Admittedly, rearmament and the housing drive were mainly responsible for this increase of Government borrowing. It is because rearmament has come at last into its stride and because the housing drive has now exceeded considerably its optimistic target of 300,000 houses a year that the Treasury needs more money, and the banking system has to provide it. Justifiable as this expenditure undoubtedly is the fact remains that it results in a monetary expansion, which is liable to nullify the effect of the efforts to keep the private sector of the national economy short in credit. After all, once the Government has spent the money raised through the issue of Treasury Bills the purchasing power is acquired by the private sector and can be employed by that sector again and again.

Nor should the significance of the non-stop rise in the note circulation be underrated. Since the beginning of the War the average rise has been about £100 million per annum. It is all very well to argue that this rise has been the effectof a rise in prices which increased the requirements of the business community and of the public for the cash requirements. The same could be said equally truthfully about the volume of bank deposits. Any increase in prices tends to cause a corresponding increase in the volume of cash and of credit required for the transaction of the same volume of business. Nevertheless, it would be a mistake to assume that the policy under which cash and credit were allowed to expand had no share in the responsibility for inflation. The fact that more often than not during the postwar period their expansion followed a previous rise in prices instead of preceding it in chronological order does not necessarily mean that monetary expansion played no part in causing prices to rise.

For a wide variety of causes prices may rise even in the absence of monetary expansion. They cannot in the long run remain, however, on their higher level unless their rise is confirmed and consolidated by a subsequent expansion of currency and credit. Had official monetary policy at any time during the postwar period made a determined effort to prevent an adjustment of the volume of currency and credit to a previous rise in prices, that rise would have become reversed sooner or later owing to the shortage of money that would have developed.

There is reason to believe that, in the absence of a further rise in prices during recent months, the increase in the amount of bank deposits and of Bank of England notes has now adjusted the volume of money to the requirements which had been increased by the previous rise in prices. While a year ago there had been many complaints on the part of businessmen, professional men and private individuals about cuts in the amounts of their bank credits, such complaints have now ceased almost completely. Business firms need not defer their plans for expanding their activities for lack of financial resources. Nor do they feel compelled by lack of financial resources to resist wages demands or to liquidate their stocks in a hurry.

The next chapter in the sad story of postwar inflation will probably be a further rise in prices through the granting of wages claims. From the point of view of the costof living the wages demands of coal miners and railwaymen are particularly significant. If they should be met to any considerable extent the resulting increases in the price of coal and of transport charges are bound to set into motion the vicious spiral temporarily brought to a halt during recent months. In that case monetary requirements would increase once more as a result of higher prices and it would be considered once more necessary and justifiable to allow the note issue and bank deposits to expand to meet these increased requirements.

It is a great pity that the breathing space provided by the temporary cessation of the upward movement of prices has not been used for building up firm defenses against further inflation. This could have been done if the authorities had firmly resisted monetary expansion during recent months. Admittedly it would have lead to a certain degree of deflation and a moderate increase of unemployment. But then it would be too much to expect in this imperfect world of ours to be able to check inflation without having to make sacrifices to that end. As things are the monetary expansion of recent months has now opened the gate for further inflation.

du Pont Opens Branch

BAKERSFIELD, Cal. — Francis I. du Pont & Co. have opened an office in the Haberfelde Building, under the management of Lawrence P. Reischman.

New Chicago Office For Merrill Lynch

CHICAGO, Ill. — The new North Michigan Avenue office of Merrill Lynch, Pierce, Fenner and Beane, largest brokerage firm in the country, opened Dec. 9, at the corner of Michigan Avenue and Wacker Drive, on the ground floor of the London Guarantee Building, John A. Orb, III, is Manager.

John A. Orb

This is the 112th office of the firm and the second for Chicago. The firm's other office in Chicago is presently in the Board of Trade Building.

The new office will be operated as a separate unit and will not be a branch of their present office. It will have complete brokerage and investment facilities.

Homer P. Hargrave, Chicago Managing Partner of the firm, says that this is the first of several offices his firm plans to open in the Chicago area. The new office is the initial step in a decentralization program. La Salle Street, which will always be the hub of things financial in Chicago, just as Wall Street is to New York City, is really not very convenient or accessible to thousands of Chicago investors, he observed. He says his firm wants to place its facilities in easy reach of the shopper, because nowadays people are so familiar with securities that they shop for investments the same as they shop for anything else.

The firm feels that the district north and south from the Chicago River on Michigan Avenue is fast becoming one of America's great shopping centers and will continue to grow. They want to be a part of this growth.

Mr. Orb, the Manager, graduated from Yale University in the class of 1941. During the war he served with the Army Air Corps for five years as a Lieutenant Colonel. He received the Distinguished Flying Cross and the Air Medal. He has been associated with Merrill Lynch, Pierce, Fenner & Beane since 1946.

Mr. Orb will have as his associates in the new office the following account executives, John C. Shelton, Jack E. Forbes, Harry D. Pepoon, Robert T. Mortimer, Philip J. Charleson, James T. Lundberg, Henry Ziemba, James R. Bogan and Richard K. Larson.

Halsey, Stuart Group Offer So. Pac. Ctfs.

A syndicate headed by Halsey, Stuart & Co. Inc. on Dec. 4 offered $5,925,000 of Southern Pacific Co. series LL 3% equipment trust certificates, maturing annually Nov. 1, 1954 to 1968 inclusive.

Subject to the authorization of the Interstate Commerce Commission, the certificates are priced to yield from 2.20% to 3.10%, according to maturity.

The issued is to be secured by the following new standard-gauge railroad equipment estimated to cost not less than $7,900,000; 1,108 various types of gondola, hopper and flat cars.

Included in the offering group are—R. W. Pressprich & Co.; The Illinois Co. and McMaster Hutchinson & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The election of 12 officers and employees to new official posts at **The Marine Midland Trust Company of New York** was announced

William M. Bedell Matthew E. Coffey

by James G. Blaine, President, following a meeting of the Board of Directors.

Promoted to Vice-President from Assistant Vice-President were Matthew E. Coffey and William M. Bedell.

Edmund G. Nelson, Lester L. Newkirk, Camile B. Talisse, and Frank J. Werner were advanced from Assistant Treasurer to Assistant Vice-President.

Elevated to new official posts were James Cangialosi, Vernon E. Collins, Thomas D. Ledwith, William D. Van Wart, Assistant Treasurers, and George F. Butterworth and Charles W. Morton, Assistant Secretaries.

* * *

Announcement of a revised Retirement Plan for officers and employees of **The National City Bank of New York and City Bank Farmers Trust Company, New York** and certain subsidiary corporations has been made by Howard C. Sheperd, Chairman of the Board of the Bank and the Trust Company. The Plan, which has been adopted by the Boards of Directors of both institutions, is subject to Treasury Department approval and ratification at the annual meetings of shareholders to be held on Jan. 12, 1954. It is intended to supersede the existing Plans, on April 1, 1954.

"The present Retirement Plans of National City Bank and City Bank Farmers Trust Company became effective April 1, 1941 and were based on conditions existing at the time," said Mr. Sheperd in announcing the proposed revised Plan. "Although they have been amended, experience in recent years has disclosed inequities and inadequacies and they do not meet the prevailing broader concept of the responsibility of employers for their employees after retirement. In justice to our valued employees and to enable us to attract a high-quality staff, our Plans should reflect these changes and provide retirement benefits commensurate with present day needs and standards."

The Bank and the Trust Company, under the revised Plan, will assume the entire cost of providing retirement benefits and employees will not be required to make any contributions. Under the present Plans, employees contribute about one-fifth and the institutions about four-fifths of the cost.

* * *

The Franklin National Bank of Franklin Square, N. Y. increased its common capital stock from $4,340,000 to $5,600,000 by a stock dividend. In our issue of Nov. 12, 1953 on page 1850 we reported this increase incorrectly.

* * *

The County Trust Company, White Plains, N. Y. has purchased property in Briarcliff Manor and will start construction of a drive-in office there soon, Dr. Joseph E. Hughes, President of the bank, announced on Dec. 3.

Briarcliff Manor will be the 17th Westchester community to be served by The County Trust Company, and the new office will be the bank's 24th, including six other drive-ins.

* * *

The merger of the **Potsdam Bank and Trust Company of Potsdam, N. Y.** into **The Northern New York Trust Company, Watertown, New York** was completed on Dec. 4. The combined resources of the merged institution will be approximately $53,000,000 and the deposits approximately $48,000,000.

President Bernard A. Gray stated that the Potsdam bank will continue as the Potsdam Office of The Northern New York Trust Company. Mr. Gray also said that the personnel of the Potsdam bank will continue in the new office except for Frederic R. Woodruff, who is retiring. Adam L. Sitterley, who was Executive Vice-President of the Potsdam bank, has become Vice-President of The Northern New York Trust Company in charge of the Potsdam office.

The Northern New York Trust Company is one of nine Marine Midland banks which operate 124 banking offices in 61 New York State communities. The Potsdam Office is the eighth branch office of The Northern New York Trust Company.

* * *

The Directors of **The Detroit Bank, Detroit, Mich.** will submit to the shareholders at their annual meeting on Jan. 19, 1954, a proposal to increase the Common Capital Stock of the bank by 75,000 shares, to be distributed to the shareholders as a Common Stock dividend on the basis of one share for each 10 shares held.

This will increase the Common Capital shares to 825,000 and establish the Common Capital stock as $8,250,000 while the surplus account will remain unchanged at $18,000,000.

In announcing the proposed 10% stock dividend, Raymond T. Perring, President, stated that consideration had also been given by the directors to the cash dividend rate and that while such payments would be determined by future conditions, it was expected the annual dividend will be increased in 1954 from $1.60 to $1.80 per share.

The combination of the stock dividend and the higher cash dividend rate will have the effect of increasing present shareholders' cash dividend income 23¾%.

* * *

Effective Nov. 23, the **National Bank of Commerce of Lincoln, Neb.** increased its common capital stock from $800,000 to $900,000 by a stock dividend and from $900,000 to $1,000,000 by sale of new stock.

* * *

The **Fulton National Bank, Atlanta, Ga.** is offering 50,000 additional shares of common stock for $1,375,000, the proceeds of which will increase its surplus by $875,-

000 and its capital account by $500,000.

The new stock will have a par value of $10 and stockholders have the right to subscribe for the new stock at $27.50 share on the basis of one new share for each four shares held. These rights expire on Dec. 31 and any unsubscribed shares will be bought by the underwriters, headed by The Robinson-Humphrey Co., Inc., and Equitable Securities Corp.

* * *

The common capital stock of the **First National Bank of Arizona, Phoenix, Ariz.** was increased effective Nov. 24 from $2,400,000 to $4,800,000. $1,200,000 of this increase was made by a stock dividend and $1,200,000 by the sale of new stock.

* * *

Three new Directors and a new Vice-President were announced for the **Bank of Montreal, Montreal, Can.,** by Gordon R. Ball, President, following the 136th annual meeting of shareholders on Dec. 7.

The new Directors are: Hugh G. Hilton, of Hamilton, Ont., President of the Steel Company of Canada Limited; Robert J. Dinning, of Calgary, President of Burns & Co., Ltd., and Harold S. Foley, of Vancouver, President of the Powell River Company Limited.

John A. MacAulay, Q. C., of Winnipeg, who has served on the bank's directorate for many years, is the new **Vice-President.** He is currently President of the Canadian Bar Association.

Kuhn, Loeb Arranges Erie Mining Financ'g

Pursuant to purchase agreements negotiated by Kuhn, Loeb & Co., the Erie Mining Co. has agreed to sell to nine institutional investors, in installments, up to $114,000,000 of first mortgage 4¼% bonds, series A, due July 1, 1983. The Erie Mining Co. has also agreed to sell to Bethlehem Steel Corp., a stockholder of the company, up to $93,000,000 of such bonds.

Elton Hoyt 2nd, President of Erie Mining Co., on Dec. 4 announced that Erie has completed plans for financing the initial development of its program for the construction of facilities in Minnesota for ultimately producing taconite pellets at the rate of 7,500,000 tons a year.

This was the first official statement that Erie Mining is definitely going ahead with its large-scale taconite program. Work has already begun and may lead eventually to a total annual taconite pellet production of up to 10,500,000 tons involving the investment of more than $300,000,000.

Substantial equity capital has also been subscribed by Erie's four stockholders — Bethlehem Steel Corp. (45%), Youngstown Sheet & Tube Co. (35%), and Interlake Iron Corp. and The Steel Co., of Canada, Ltd. (10% each).

Erie Mining Company is managed and operated for the stockholders by Pickands Mather & Co., of which Mr. Hoyt is senior partner.

Last year the Defense Production Administration awarded Erie Mining a certificates of necessity covering the project on a basis of up to 10,500,000 tons annual production, the cost of the entire project then being estimated at approximately $298,000,000.

The immediate development calls for the largest initial ore concentrating plant ever to be built, located near Aurora, Minn., and also includes the construction of housing facilities for the plant's employees and their families; a 73-mile railroad from the plant to Two Islands, Minn., on the north shore of Lake Superior, and a harbor, docks, and a large electric power generating station at Two Islands.

Erie mining has under its control properties on the Mesabi Range sufficient for the production of ample raw material to protect the maximum requirements of the plant for more than 50 years.

Erie has employed the Engineering Department of Anaconda Copper Mining Co. to do the engineering, prepare plans and specifications, and be responsible for construction of the new concentrating plant.

Abbott Proctor to Admit

Abbott, Proctor & Paine, 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Hugh E. Paine, Jr. to partnership.

S. D. Fuller Offers Stock of ORRadio

S. D. Fuller & Co. is offering 149,500 shares of common stock (par value 25 cents) of ORRadio Industries, Inc. at $2 per share.

Located in Opelika, Ala., ORRadio Industries is a manufacturer of magnetic sound recording tape. Proceeds from the stock sale will be used for expansion of manufacturing facilities necessitated by the rapidly increasing volume of business; for a sales promotion program and for additional working capital.

There are at present more than 40 companies manufacturing tape recorders, and only four companies manufacturing magnetic recording tape. Of these, ORRadio is the only company producing magnetic tape exclusively, it was announced.

The majority of the tape produced by the company is marketed under the trade name "Irish Brand."

Upon completion of the stock offering, the company's capitalization will consist of 422,500 shares of common stock and 75,000 stock purchase warrants, the latter to be issued 50,000 to the underwriter and 25,000 to company employees but not exercisable until 13 months after the present offering.

Glore, Forgan & Co. To Admit Partners

Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange and other exchanges, will admit Charles F. Glore, Jr., and Hunter S. Marston, Jr., to partnership on Dec. 17.

Three With Perry Blaine

(Special to The Financial Chronicle)

ASHTABULA, Ohio—Walter R. Davis, Howard M. Hall, and Fred P. Heckman have been added to the staff of Perry T. Blaine & Co., 4519 Main Avenue.

Canadian Banker Warns on Losing Economic Gains

Gordon Ball, President of Bank of Montreal, tells shareholders concern over defense might cause free nations to lose their recent economic gains. Sees need for demonstration of effectiveness of free enterprise system.

In the course of his first presidential address on Dec. 7, to the shareholders of the Bank of Montreal, Gordon Ball expressed the view that "it would be tragic if, just at the time when the military and political defenses of nations of goodwill were being strengthened, the economic gains of the recent past were to be lost. It is up to all of us, in all countries, who stand with private enterprise, to demonstrate here and now that the system that we rightly believe produces most and contributes most fully to well-being does not inevitably beget periods of slump and mass unemployment.

Gordon Reginald Ball

"That, as I see it, is the great and immediate challenge of the present day. And that challenge will not be met if the bogey of over-production should drive individual nations behind the barricades of high tariffs and intensified restrictions."

Canadians face "a great and immediate challenge" in the development of closer, freer trading relationships and a more intensive, economic use of their resources, Mr. Ball said.

"Our interest in the immediate future," he added, "is in the speedy furtherance of trade policies based fundamentally on recognition of three facts: firstly, that the welfare of the free nations is interdependent; secondly, that the objective of 'trade not aid' can be achieved only with the full realization that trade is a two-way process; and, thirdly, that it is idle to talk of enduring peace without deliberate measures designed to help less fortunate countries to help themselves by giving them a fair chance to sell in external markets."

Mr. Ball said that the real measure of improvement that had taken place in the sphere of international trade and finance during the past year "presents for the countries of the free world a great opportunity for further bold advances towards closer and freer trading relationships and thus towards more intensive and economic use of resources."

In a brief review of the business scene during 1953, the Bank of Montreal's President emphasized that competition had been keen, in both domestic and foreign trade, and that certain industries were encountering difficulties. Mr. Ball sees a need for a "renewed emphasis on salesmanship, efficiency and sober realism."

Continued from page 2

The Security I Like Best

and only 11 cents a share in 1949. Consequently, at its present offering price of $37 a share, this issue is selling at only 4½ times annual earnings whereas a composite of Master Electric, Westinghouse, G. E., and Emerson Electric shows these companies to be selling at twice that level, or 9.4 times earnings.

Dividends—Cash distributions on the common stock of this growing enterprise have risen until they are more than 10 times what they were a mere five years ago. Based on its present "asked" price and on the $2.70 declared during the last 12 months, this underpublicized equity is currently yielding a most attractive 7.3%. Even then, it should be noted that this still represents a very modest payout of earnings (only 34%) and thus indicates that room exists for further, substantial improvement. In this regard it is significant to note that the 35-cent quarterly distribution has been raised to 40 cents every three months. There is also a distinct possibility that the next regular quarterly disbursement—which should be declared around Jan. 4—will be raised again, this time to the 50-cent level. A substantial stock dividend or split would come as no surprise to the writer.

Other relevant facts and statistics—Net sales for 1953 jumped 44% over those of the preceding year; taxes were heavy ($3.3 million in all), EPT alone amounting to $5.64 per common share; current assets outweighed current debt 2.9 times to 1. For the last 15 years net working capital has steadily risen, until it now stands in excess of $8 million.

Corporate Background

Currently celebrating its diamond jubilee, Robbins & Myers started out with little more than a gray iron foundry where such things as bicycle frames were produced. Conducting its operations through six separate divisions, the company today is one of the most prominent manufacturers of electrical equipment. (Its common shares have just begun to receive an equal degree of prominence among investment circles.) Strategically located to tap both U. S. and Canadian markets, its factories now cover a total of 15 acres, while an additional plant is being built in Memphis to handle a higher sales volume. A $1,750,000 note from an insurance company is providing the necessary funds for this project as well as for expanding production facilities in Ohio and Ontario. Corporate efforts are concentrated along the following lines which are well advertised and nationally distributed.

(1) **Motors.** In addition to manufacturing motors ranging in capacity from 50 horsepower down to tiny "fractionals" as small as 1/200 of one horsepower, company is a large producer of engineered motor parts which it builds to individual specifications for leading makers of precision cutting devices, portable power tools, even surgical instruments. Larger motors—those above one "horse"—find application throughout industry for pumping oil, driving machinery and accomplishing thousands of allied tasks. Smaller units power such devices as adding machines, phonograph turntables and the world-famous I. B. M. electric typewriters.

(2) **Electric fans, etc.** Present line includes 30 types of household-commercial-industrial fans and ventilators. Better known trade-marks include "Propellair," "Hunter" and "R. & M." Company's attic fans are being installed in many of the nation's prefabricated homes by the leading builder in this rapidly growing field. Should the company decide soon to go "all out" into air conditioning (instead of simply selling room units), its accumulated know-how and experience should prove to be excellent wedges for entering this promising field.

(3) **Others.** Besides turning out the lines above, Robbins & Myers is actively engaged in the expanding materials handling market. Its products include hoists and heavy-duty cranes, also winches. Capacities range from 250 pounds all the way up to 60 tons. Complete shallow well systems for rural, suburban and resort areas also bear the R. & M. name plate. In addition, company is renowned for producing "Moyno" industrial pumps which are widely used by the food, petroleum, chemical and paper industries. These versatile devices handle "vicious" acid materials as readily as they transport potato salad or drain your washing machine.

In conclusion, for those seeking a sound investment in an undervalued issue (which offers the promise of distinct earnings and dividend improvement), I heartily recommend My Favorite Security, **Robbins & Myers common**, which is traded in the Over-the-Counter Market.

Meeting Held on Coming Financ'g for Indiana Toll Road

An Information Meeting of underwriters who will participate in the pending offering of $280,000,000 Indiana Toll Road Commission Revenue Bonds was held on Dec. 9 in the Great Hall of the Chamber of Commerce of the State of New York, 65 Liberty Street, New York City. The meeting had been called by C. Cheever Hardwick, Partner in the investment banking firm of Smith, Barney & Co., one of the eight co-managers of the underwriting group. Other co-managers are The First Boston Corporation; Drexel & Co.; Halsey Stuart & Co. Inc.; City Securities Corporation; Collett & Company, Incorporated; Indianapolis Bond & Share Corporation, and Raffensperger, Hughes & Co., Incorporated.

Present at the Information Meeting, in addition to representatives of the co-managers, were members of the Indiana Toll Road Commission, commission engineers and counsel, and counsel for the underwriters who discussed the financing in detail.

The underwriting co-managers, heading a group of approximately 460 members have scheduled the offering of the bonds for Thursday, Dec. 17, 1953.

Clisby & Co. Formed

(Special to THE FINANCIAL CHRONICLE)

MACON, Ga.—Joseph R. Clisby has opened offices in the Persons Building to engage in a securities business under the firm name of Clisby & Company. Associated with him will be Mrs. J. N. S. Matthews. Both were previously with the Macon office of Courts & Co.

Paul Loudon

Paul Loudon, partner in Piper, Jaffray & Hopwood, Minneapolis, passed away Dec. 1.

New Wurts, Dulles Branch

CAMDEN, N. J.—Wurts, Dulles & Co. have opened a branch office in the Walt Whitman Hotel under the direction of William Kalellis.

Public Utility Securities

By OWEN ELY

Pacific Lighting Corporation

Pacific Lighting is a holding company controlling two large subsidiaries, Southern California Gas Company and Southern Counties Gas Company. The company owns all of the common stock of both subsidiaries, but in the case of Southern California Gas, this represents only 78% of the voting power. A less important subsidiary is Pacific Lighting Gas Supply Company, which handles purchases and sales under special contracts, principally to affiliates.

Southern California Gas and Southern Counties Gas serve natural gas to 12 counties in the southern part of the state, including the City of Los Angeles and 115 other cities plus many unincorporated towns and communities. The total population of the area served was estimated at about 6,100,000 as of Jan. 1, 1953, representing a gain of about 64% over the previous decade. Nearly one-third of this represents the population of Los Angeles.

The system purchases natural gas under contracts with about 65 gas and oil producers, operating in substantially all the gas and oil fields in southern California. These contracts run for various periods, most of them providing for purchase of certain daily, monthly, or annual quantities of gas to the extent produced and not reserved from sale by the producers. It is estimated that average prices paid or to be paid for gas purchased in California will approximate 16.5c in 1953 and 17.3c in 1954.

It is estimated that increases in the price of gas will cost the company about $1,600,000 in 1953 and $1 million additional in 1954, although of course there will be other changes in total costs due to volume changes. The producers serving the System sell it about 40% of their output, while 16% goes to other utilities and 44% is accounted for by oil operations. These producers have estimated reserves of about 18 years at the 1952 rate of withdrawal.

Due to the gradual decline in the California oil and gas fields, the System in recent years has been buying an increasing proportion of its requirements from out of state; in the first eight months of 1953 about 47% was obtained in California and 53% from outside. The latter gas is purchased from El Paso Natural Gas Company and is delivered near Blythe on the Arizona-California border. El Paso in turn is said to purchase the gas principally under long-term contracts from producers operating in west Texas and southeast New Mexico. Under the present service agreement dated March 1, 1952 El Paso is obligated to deliver a maximum quantity of 561,405 Mcf daily and Pacific Lighting subsidiaries are obligated to buy at least 91% of that volume on an average basis. The average price of this gas for 1953-54 is estimated at 21.1c per Mcf, including the rate increase effective early in 1953, which is expected to increase the total cost for this year by about $8.1 million. A new agreement with El Paso (not yet approved by the FPC as of recent date) will increase deliveries about 27% on or after Nov. 1, 1954 and through Jan. 1, 1968, after which the terms change during the remainder of the 24-year period.

The company has been allowed susbtantial rate increases in 1953 as described in detail in the recent prospectus on the common stock. Southern California Gas obtained an increase of about $7.2 million effective Jan. 1 (of which about $4.9 million had been granted as interim relief effective April 10, 1952). Southern Counties Gas received an increase of $2.3 million effective Aug. 15. Further substantial increases (estimated at $6.6 million) were granted to both companies Jan. 1 but these were allowed as an offset to the increased cost of out-of-state gas; this increase is still subject to final determination.

Pacific Lighting's business dates back at least to 1886 and it has paid dividends on its common stock since 1909 (the present company was incorporated in 1907). Formerly one of the subsidiaries had some electric properties but these were sold to the City of Los Angeles on Jan. 31, 1937. It is the largest natural gas distributing system (but not the largest integrated system), with annual revenues approximating $154 million. About 70% of the revenues are derived from sales of gas to domestic and commercial customers for cooking, water heating, refrigeration and space heating.

The company recently sold 800,000 shares of common stock to the public at a retail price of $33 (following a two-for-one split of the common stock Nov. 9). The annual dividend rate on the new stock is $2 as compared with $3 (or $1.50 on the new shares) paid before the split. Share earnings on outstanding stock, adjusted for the split-up, have been as follows in recent years:

12 months ended August 31, 1953	$2.54
Calendar Year 1952	2.48
1951	1.68
1950	2.94
1949	1.43
1948	1.98

Recent share earnings would be increased about 20c, it is estimated, if the Aug. 15 rate increase should be included. The book value of the common stock, following the recent financing, was $25.67 (based on the consolidated balance sheet) and the equity ratio was about 39%. The stock has been selling recently around 34 to yield 5.9%.

Continued from page 3

The Stock Dividend Mumpsimus

large. This sale of property has nothing to do with his dividends or with his income tax on his dividends.

There remains one other consideration. There is an attempt in the articles in question to present a stock dividend as a profitable exchange for a cut in dividends, provided the stockholder sells his stock dividend. The reasoning here defies analysis. First, the company has a surplus. Second, it wishes to expand its operations. So it cuts the dividend from $3 a year to $2 a year and issues a 5% stock dividend. The stockholder sells the stock dividend, paying only a capital gains tax. This, it is alleged, is much better than continuing the dividend and having the stockholder reinvest the dividends, less a heavy tax, in new stock. This is confusion worse confounded. It is assumed that there is a choice between two policies. One is to continue the old dividend and sell new stock to the old stockholders. The other is to cut the dividend and invest the saved surplus in the company, issuing a stock dividend to the stockholder, the stock dividend representing a return to the stockholder for his lost dividends. There is no such choice of policies. If the company needs additional capital, it can obtain it by three different methods. It can borrow it. It can retain surplus. Or it can sell new stock to the public. As any management knows, it is sometimes better to get new capital from surplus earnings rather than from the sale of new stock. And issuing a stock dividend has no earthly connection with the matter.

There is no point in beating a dead horse. No stock dividend is ever, under any circumstances, more than a mere change in the mechanical evidence of stock ownership, a mere figure on a certificate. In actual practice the stock market recognizes the nonsense of claims that a stock dividend carries income or profit, just as the Internal Revenue Bureau does. But the incredible fact stands out that the directors of some corporations maintain these hollow fictions about stock dividends.

The Caterpillar Tractor Case

In June a large corporation reduced the dividend from $3 to $2 and issued a 4% stock dividend. At the time the stock was selling for about $58. The owner of 100 shares had a property worth $5,800. The stock fell to about $51. The stockholder's property loss was $496. But, the directors said, he could sell his stock dividend. This would be a sale of four shares for $204. For the entire year his dividends would be $225. His total cash for the year would be $429. He had left 100 shares worth $5,100, only about 96% of his former holdings, with a future income of only $200 instead of $300.

It is not the purpose here to discuss the action of the directors in reducing the dividend. It may have been a praiseworthy action. It may not. What is criticized here are the issuance of a stock dividend and the suggestion that the stock dividend was an offset to the reduction in the dividend and a source of income for the stockholder.

The directors wrote the stockholders that they intend to follow the practice, indefinitely, of a $2 cash dividend with a 4% stock dividend. This policy, they said, would give the stockholder a larger "annual income" than he had been receiving. This is an appalling statement. The owner of 100 shares has his annual income cut from $300 to $208, but he would receive more "income." How? By selling off his property in the company.

Let's examine this program a bit. In June the total stock outstanding was increased 4%. A year from now the stock will have been increased to 108½% of the original amount. Within two years the outstanding stock will be 112½% of the original stock. With this progressive dilution of the stock the $2 dividend will be an increasing drain on the annual earnings. No matter what the total earnings of the company may be, the market price per share will be less than it would have been if there had been no stock dividends issued. And what about the stockholder who was going to get more income by getting less? He has sold almost 11% of his original holding in the company, at probably declining prices.

Here is what the directors should have written:

"Your directors have decided that it is in the best interests of the Company to reduce the dividend from $3 to $2 and to invest the saving in permanent capital. This will reduce the market value of your stock, but we believe that our action will eventually benefit the stockholders. A stock dividend is merely a dilution of a company's total stock, which gives each stockholder a larger number of shares worth exactly the value of his former holdings. If, because of the reduction in your dividends you need additional cash, you can sell some of your stock. Merely as a matter of convenience if you wish to sell a small amount, we are issuing a stock dividend of 4%. You should understand that if you sell this stock dividend, you are selling a part of your property in the Company. Since we believe that our action will benefit the stockholders we do not advise you to sell the stock dividend."

The directors of this company did not even realize that when they suggest to the stockholders that they sell their stock dividends they are telling the stockholders that their company is a poor company to own stock in and they had better get out.

It is incredible that these simple facts should be misunderstood. But they are. An article in a financial journal last March not only had an erroneous analysis of stock dividends but even had a chart to prove that the stockholders in I. B. M. are better off with a $4 dividend than with a $6 dividend. In other words, again, a stockholder makes more money by getting less. He does this by selling his capital assets.

The Stock Exchange Rules

In February, 1953, the New York Stock Exchange made new rules. The regulation begins with the statement that stock dividends have been "most helpful" to stockholders. They have been nothing of the sort. The ruling applies to stock dividends under 25%. There is no difference between a 24% dilution of stock and a 26% dilution. The ruling then says that it **may** be applied to stock dividends of more than 25%. For each stock dividend, the "fair value" of the shares must be transferred from earned surplus to the permanent capital account. This is a strange ruling. It would appear that the Exchange officials are actually afraid that some boards of directors will be so blind to their obligations that they will issue stock dividends without any regard to earnings whatever. The Exchange officials understand stock dividends. They would have done a real service if they had merely stated the facts about stock dividends and prohibited directors from making misleading statements about them. It would have been better still if they had prohibited them. They serve no useful purpose.

Typifying a Broad Evil

This stock dividend situation is unfortunate, but it is not of vast importance. Most stockholders have a fair understanding of the facts, and the market brutally educates them. But the stock dividend situation illustrates and typifies an evil. It is the belief of some directors that they govern the stockholders. Stockholders own the company. The directors are mere agents, or servants, of the stockholders. But there is, in some corporations, the idea that the directors are the company, to treat stockholders as they please. All the earnings belong to the stockholders, but the directors decide what the stockholders will get, and whatever they grant is a favor. A stockholder who questions the directors is regarded as an interloper meddling with matters outside his legal interest. A stock dividend is a split of the capital stock of a corporation, made by the owners of the corporation if they see fit. But deception has gone so far that it is considered a gift by the directors.

The one hope of maintaining free enterprise and democracy in America is the American corporation. The one hope of survival of the corporation is the stockholder, the man who risks his savings in venture capital investment. Stockholders are taking a fearful beating in this generation. Political demagogues assail them. A spendthrift government takes about 80% of their earnings. Labor unions, determined to take by force all their earnings and to take over management, endlessly reduce production. It will help in this struggle for survival of the corporation if all directors of all corporations are competent and faithful representatives of the owners of the corporation.

NEIL CAROTHERS

Bethlehem, Pa.
Dec. 2, 1953.

NASD Dist. 8 Names Four to Committee

CHICAGO, Ill. — The annual election in District No. 8 of the National Association of Securities Dealers, Inc., comprised of the States of Illinois, Indiana, Iowa, Michigan, Nebraska and Wisconsin, has resulted in four new members on the District Committee.

Carl A. Falk, President, Buffett-Falk & Company, Omaha—Andrew M. Baird, Vice-President, A. G. Becker & Co., Incorporated, Chicago — Richard W. Simmons, Partner, Blunt Ellis & Simmons, Chicago, and Roy Falvey, President, Thomas D. Sheerin & Co., Inc., Indianapolis, have been elected to succeed James H. Ellis, Lincoln, Neb.; Newton P. Frye, Chicago, Ill.; Carl McGlone, Chicago, Ill., and G. William Raffensperger, Indianapolis, Ind., retiring members of the District Committee.

The newly elected will assume office on Jan. 16, 1954 and they will serve three years on the Committee.

Hill Richards Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Hill Richards & Co., 621 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges, have added to their staff Jack E. Andrews, Jr., Jack H. Gray, Harold A. Johnson, Karl L. Kellogg, Kenneth D. Mann, and Charles N. Mathewson.

J. A. Hogle & Co. Open Long Beach Offices

LOS ANGELES, Calif. — J. A. Hogle & Co., members New York Stock Exchange and other principal Exchanges, have opened offices in Long Beach, Calif., according to C. J. Cable, resident partner in charge of the firm's California offices.

The Long Beach offices occupy the former quarters of Davies & Co., at 507 Security Building, 110 Pine Avenue. George M. Baumgardner, former partner of Davies & Co., will manage the office. Baumgardner, a former Mayor of South Gate, California, has been in the brokerage business for more than 30 years in the Southland. He will be assisted by registered representatives, Stuart L. Brown, George H. Hansen and Thomas H. Golden.

J. A. Hogle & Co. have 17 offices throughout the country, with California offices in Los Angeles, Riverside, San Diego and now, Long Beach.

Col. G. L. Allen With Protected Investors

SAN FRANCISCO, Calif.—Colonel Glenn L. Allen, U. S. Army, Retired, is now associated with Protected Investors of America, Mutual Fund Specialists, Russ Building, after completion of special studies at the University of California and extensive research on Mutual Funds, according to Churchill C. Peters, President. Particular attention is being given to monthly payment accumulation and retirement plans.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

George V. Hunt

Alfred F. Tisch

Edward J. Kelly

Henry Oetjen

N. A. Krumholz

The Security Traders Association of New York at its annual election held Dec. 4 at the Bankers Club, elected the following officers for 1954:

President: George V. Hunt, McLaughlin, Reuss & Co.

First Vice-President: Alfred F. Tisch, Fitzgerald & Co., Incorporated.

Second Vice-President: Edward J. Kelly, Carl M. Loeb, Rhoades & Co.

Secretary: Henry Oetjen, McGinnis & Company.

Treasurer: Nathan A. Krumholz, Siegel & Co.

Directors (two-year term): John Gahan, Schoellkopf, Hutton & Pomeroy; Charles M. Kaiser, Grady, Berwald & Co., Inc.; Barney Nieman, Carl Marks & Co., Inc.; Salvatore J. Rappa, F. S. Moseley & Co.

Trustees of Gratuity Fund (two-year term): Reginald J. Knapp, Wertheim & Co., and Wilbur Krisam, Geyer & Co., Incorporated.

National Committeemen: Samuel F. Colwell, W. E. Hutton & Co.; Samuel E. Magid, Hill Thompson & Co., Inc.; Stanley L. Roggenburg, Roggenburg & Company.

National Committeemen Alternates: Peter W. Brochu, Allen & Company; Joseph D. Krasowich, Bonner & Gregory; Cyril M. Murphy, John C. Legg & Company; Theodore Plumridge, Eastern Securities, Inc.; Stanley M. Waldron, Merrill Lynch, Pierce, Fenner & Beane.

Nominating Committee: John Francis Kelly, Kidder, Peabody & Co.; Walter V. Kennedy, Coffin & Burr, Incorporated; Lewis H. Serlen, Josephthal & Co.; Andrew R. Steven, Jr., A. C. Allyn & Company, Inc.; David R. Mitchell, Hill, Thompson & Co., Inc. (alternate).

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold its 19th annual Mid-Winter Dinner on Jan. 29, 1954 at the Lord Baltimore Hotel. William C. Roberts, Jr., C. T. Williams & Company, Inc., is Chairman of the Entertainment Committee.

BOND CLUB OF DENVER

At the Annual Meeting of the Bond Club of Denver, held Dec. 1, 1953 at 8 o'clock p.m. at the Albany Hotel, the following members were unanimously elected to the offices as listed below for the year 1954:

Gerald D. Bachar

William W. Argall

President: Gerald D. Bachar, J. A. Hogle & Co.

Vice-President: William W. Argall, Boettcher & Co.

Treasurer: Ernest G. Schlenzig, Merrill Lynch, Pierce, Fenner & Beane.

Secretary: William Sweet, Peters, Writer & Christensen, Inc.

Directors: John A. Alff, Amos C. Sudler & Co.; Aaron Pleasants, International Trust Co.; David W. Brunton, J. K. Mullen Investment Co.; William J. May, Stone, Moore & Co.

National Committeemen: Gerald Peters, Jr., Peters, Writer & Christensen, Inc.; John H. Alff, Amos C. Sudler & Co.; Garald D. Bachar, J. A. Hogle & Co.; Lloyd Hammer, Coughlin & Co.; Orville Neely, Merrill Lynch, Pierce, Fenner & Beane (Alternate).

The election was preceeded by a buffet dinner and following the election a film was shown by Donald Berard of Pan American World Airways System which was thoroughly enjoyed by all present. The title of the film was "Fabulous Fishing."

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Dec. 3, 1953 is as follows:

Team	Points
Bean (Capt.), Bass, Valentine, McGovern, Bradley	36
Klein (Capt.), Fredericks, Murphy, Weseman, Huff	35½
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	33
Leone (Capt.), Nieman, Gannon, Tisch, Greenberg	33
Krisam (Capt.), Pollack, Cohen, Smith, Strauss	31
Growney (Capt.), Boggs, Siegel, Voccolli, Lienhardt	25½
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King	25
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	24½
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	24
Hunter (Capt.), Brown, Reid, Farrell, Barker	23½
Donadio (Capt.), Craig, Gronick, Bies, Demaye	22
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	17

Continued from page 16

The Progress of Air Power

Washington. It is obvious even to a schoolboy that all first-class mail will some day go by air whenever the distance involved permits faster delivery. This project again turns on the economics of the operation, for the rates must be *low enough* for the post office and *high enough* for the airlines in order that neither shall suffer losses.

A mobilization plan worked out by airline and military leaders would allow 250 four-engine airliners to be transferred overnight to the Military Air Transport Service in the event of a national emergency. The Air Transport Association of America estimates that this stand-by fleet of 250 ships would cost the taxpayers about $350 million if it had to be maintained independently.

There isn't a trunkline operating today that couldn't save money by dropping some of its small communities from its route map. Some we can afford to serve at a loss because of long-haul operations through metropolitan areas which can earn sufficient profits to support the non-profitable towns. The government and the airlines share the responsibility of deciding which cities should be serviced and by which company or companies. In the future we shall certainly see a reduction in the number of non-profitable communities except for those which grow to a point sufficient to support air-service.

Non-Scheduled Flying

The certified carriers are faced with a very serious problem today in the so-called irregular or nonshreduled operator. The trunkline certificated airlines, most of which have been in business for a quarter of a century or more, must confine their operations to certain designated routes for which they hold certificates issued by the Civil Aeronautics Board. They must provide adequate service for many of the smaller cities along their respective routes and, as I have just stated, some of these cities do not produce sufficient revenue to meet the cost of serving them.

The non-scheds, on the other hand, all of which came into existence during the past four or five years, have been allowed to choose their own markets. Naturally, with this complete freedom they concentrate their services between the larger cities and move with the seasons. For example, they are found in the heavily-traveled markets between Miami and northern points during the winter months and then move into the California-New York market during the summer months. In other words, they compete with complete freedom for the cream traffic, the traffic that is our very life blood, wherever it may be.

The non-scheds have operated between the first 15 cities in terms of traffic volume in concentrating on the large segments in air transportation leaving the responsibility of service through the 569 other cities to the certificated airlines. They have nudged their way into the air business by dishonoring and disobeying the regulations which specifically restricted their operations.

There is in progress at the present time a CAB proceeding which is undertaking to investigate the activities of this new class of carriers and it can be modestly said that much of the evidence which is coming to light in that hearing is shocking. The methods these companies are employing in persuading passengers to use their services, their lack of responsibility, and their activities in general are being brought to light, but the process is extremely slow. The true facts must be brought home to Washington as quickly as possible and the non-scheds be compelled to comply with the regulatory law just as we are required to do so. If this is not done we may soon find ourselves in serious economic difficulties. We in the certificated airline industry are staunch supporters of competition. But we do believe the rules of the game should be uniform and apply to all alike.

American Aviation Magazine reports 226 airplanes are on order by U. S. airlines, costing nearly $300 million, with an annual capacity of more than 9 billion seat miles. Even assuming retirement of some obsolete type ships, this will still represent a sizable increase in capacity of our airlines. Such ambitious plans for the future may seem a little bold to outside observers, but the somewhat fantastic growth of the airlines would not have been possible without confidence in future growth. In fact, some of the most important progress of our industry occurred during the depression which preceded World War II.

Expenditure for New Equipment

It is estimated that the airlines in this country will have to pay out more than $1 billion for jets and other types of new aircraft during the next ten years.

Air transportation is one of the few services you can buy now for about the same price you paid a decade and a half ago, and it is twice as fast and more dependable.

In 1926 the average passenger fare was 12 cents per mile. In 1939 the average airline fare per mile was 5.1 cents. Today it is 5.5 cents. In terms of the 1939 dollar, today's airline fare is only 2.9 cents per mile. Meantime, the overall consumer price index has advanced 91% and rail parlor car fares increased 44% during the same period.

Despite sky-rocketing costs and the terrific cost of replacing old equipment with new ships of more modern design, the airlines have been able to keep down the cost to the traveling public and even to offer economy fares like the family plan or aircoach at an average of slightly over 4 cents a mile. This has been made possible through increased efficiency, greater volume and more productivity.

In trying to peer into the future, it is sometimes helpful to look at the past. Twenty years ago, in 1932, the airlines carried only 1% as much traffic as did Pullman cars. If you combine railway parlor and sleeping car passengers with airline passengers to form the first-class market, you'll see that the airlines got 23% of the total in 1946 and kept increasing every year until the airline penetration was 57% of the total first-class market in 1952. This doesn't necessarily mean, however, that we grew at the expense of the railroads. Far from it, much of our business was newly generated and there will be more and more of this in the future as schedule time is reduced to permit more quickie trips that some folks wouldn't take in the first place if they couldn't fly. And there is a limit to the speed our ground competitors can achieve or else they'll be off the ground and under the jurisdiction of the Civil Aeronautics Board if they are not careful.

Prospects of Future Growth

It is always a little risky to make predictions about future growth, especially in our industry which is so closely related to business conditions in general and to government policies at the time.

Much of our future growth will come from an enlargement of trade areas at home and abroad. We think the South will share especially in this future growth, and the airlines will continue to make it even easier to redistribute the population, industry and the wealth on a more equal basis over the nation. There's plenty of room in Texas, for example, and the entry requirements aren't tough at all.

The American appetite for travel is insatiable. Inter-city passenger travel by all means of transportation has been doubling every 20 to 25 years and there is no likelihood that this trend will change in the foreseeable future. Inter-city passenger travel increased 93% between 1929 and 1949 at a time when the population was increasing 23% and the national income by 83%.

Of all inter-city traffic, including the use of automobiles, air travel has constitued only about 4½% of the long trips and 2% of all inter-city trips, so there is plenty of room for expansion of air travel. If the above percentages for air travel sound small, you should keep in mind that all the common carriers together account for only 14% of the travel between cities and the balance, or 86%, moved by private automobiles.

The Civil Aeronautics Authority has made a comprehensive study [illegible] predicts that by 1960 the airlines will carry double the number of passengers carried in 1950 or 60% more than carried in 1952.

This CAA estimate is in agreement with studies made by other competent agencies, such as the Port of New York Authority, which forecast that the year 1980 will see the volume of domestic air travel exceed 22 billion pas-

senger miles, or nearly twice that of last year.

Most of the predictions in the past have been too conservative about expansion of air travel, but predictions are dangerous and generally are trend curves without allowances for unforeseen factors. For example, air traffic would sky-rocket in event of a new discovery to further improve the present excellent record for dependability under all weather conditions. Or a new source of power, like atomic energy perhaps, could result in remarkable changes. Air travel also can be influenced substantially by improvements in ground facilities, methods of handling baggage, better highways into the city from the airport and in other ways even sometimes beyond the control of airline executives.

Fewer but larger airlines was the keynote of commercial aviation in 1952 as mergers and consolidations reduced the number of domestic trunkline carriers from 16 to 13. Further mergers are in the cards for the next few years, and the future will see some reshaping of the airline companies and their routes to bring about greater strength on the one hand and balanced competition, on the other. Routes which are unprofitable to one airline may be sold or re-awarded to another airline, and the second airline may find the same routes which the first airline could not operate profitably as useful and valuable routes when transferred and realigned with others.

Air Line Mergers

This era of mergers is a very logical part of the development of our industry, which in 1938 included 22 certificated airlines and in 1952 included 52 certificated trunk and local service airlines. Without attempting to guess how many airlines will be operating in the future, it is obvious that the high cost of new equipment and the general economy will see the total of 52 reduced to a number small enough to be strong and profitable but large enough to provide the stimulus of competition and the variety of service which would be justified.

We have just completed, as of last May 1, a very interesting merger consolidating Delta Air Lines and Chicago and Southern Air Lines. This merger permitted elimination of domestic mail rate subsidies, substantial reduction of international subsidy, and Dallas and other cities have already seen inauguration of many new flight patterns over the combined routes of the two integrated companies.

No matter how much we have been able to accomplish on our own and with existing authorizations, the operations of the merged company depend for financial and economic success upon the policies of the Civil Aeronautics Board. For example, the merged company is the only airline with extensive route coverage in the area east of the Mississippi River which does not have access to the strength of the New York City traffic market, with its stabilizing economic influence. Seventeen out of every 100 passengers flying in the U. S. today either arrive or depart through the New York airports. Naturally, we are placing proposals before the Board intended to correct this situation at an early date. Again, where we have route integration problems, which adversely affect the efficiency of operations and of eqiupment rotation over the merged company's several routes, we must and we will look to the Board for appropriate relief.

But I note these problems, which admittedly are the private problems of our own company, to illustrate the extent to which the commercial airline, as a federally regulated public utility type of enterprise, is dependent upon the cooperation and practical assistance of the Civil Aeronautics Board. During this period of our growth into stable operating units within an established transportation industry, we of the airlines are not free to move as we please in competition for available traffic flows. Rather, we must proceed in accordance with well-established and sometimes distressingly time-consuming regulatory procedures.

It has been 15 years since the creation of the Civil Aeronautics Board and time has demonstrated the wisdom of the 1938 CAB Act in setting up a new and independent body to handle air route awards and generally regulate the new aviation industry. Certainly some mistakes have been made, but our industry would not have developed nearly as fast under other setups.

Our company stands for continuance of the independent Civil Aeronautics Board and for the completion of the development tasks originally assigned the Board by Congress and toward which the individual members of the Board and staff members have contributed so much. With so much remaining to be done in the way of rounding out route patterns and integrating existing operations, it is no time to fasten fetters upon future progress.

Air transportation, and governmental regulation of aviation, must not be allowed to become static. The airplane was born of American ingenuity, bred of American genius, and fostered by American free enterprise, with the purpose of broadening horizons of generations yet to come.

Roger Babson lists aviation as being still in the "development and rapid growth" stage, but fast approaching the "normal growth" stage. We are coming of age, but we still are climbing steeply.

Railroad Securities

Baltimore & Ohio

While the overall tone of the rail market has improved considerably in recent weeks the buying has been confined largely to investment and semi-investment groups. The renewed interest has apparently been primarily of an institutional nature. The more speculative section has continued under pressure from tax loss selling, and presumably this condition will continue through most of the current month. Students of the market generally, and railroad securities specifically, are of the opinion that once this pressure has been lifted at least the better situated of the lower quality issues will follow the lead of the investment group. One stock that is attracting considerable comment in this connection is Baltimore & Ohio common, which closed last week almost 30% below the year's high and only a point and a half above the 1953 low.

One thing that has focused attention on Baltimore & Ohio at this time is that it is indicated that the company's affairs with the Reconstruction Finance Corporation may be wound up in the near future. The RFC, which is being dissolved, holds $65 million of the road's collateral 4s, 1965. A group of investment bankers is negotiating to purchase these bonds from the government agency at a discount. If the negotiations are successful the form of the bonds will be changed somewhat. It is proposed, first, to reduce the amount to $60 million through a $5 million cash payment. The balance remaining would then be put on a serial basis.

Tentatively it is expected that the serial bonds, which would be offered publicly by the investment banking group, would mature $2 million annually for the first three years, $2.5 million in each of the next two years, $3 million annually for the next 10 years, and $19 million as a "balloon" the 16th year. The interest rate would be the same as that now being paid to the RFC, 4%. The company and its stock holders, however, should benefit from relief from the constant pressure there has been to make large payments to the RFC on account of principal—it has been necessary to make these large payments at par at a time when the company could have used the same money more advantageously to purchase its publicly held bonds in the open market at substantial discounts. Actually, the company should be able, if the present plans work out, to acquire the longer maturities of the proposed Serial Collateral bonds at a discount in the open market if they so choose. Thus, it is quite likely that if the loan is removed from the RFC the company's program for the reduction of debt and charges may be accelerated to an important degree; bringing closer the day when sinking fund requirements will be moderated and a larger proportion of earnings made available for the common stock.

From an earnings standpoint Baltimore & Ohio has been making a good record for itself in recent years. Its trend of revenues has been more favorable than that of a majority of the eastern railroads. The company has gone in heavily for diesel power and this, along with other property improvements, has materially improved operating efficiency. The management has worked out a particularly sound budgetary control system. Reflecting all of these considerations, earnings on the common stock, before sinking and other reserve funds, have risen consistently, from $1.76 in 1949 to $9.74 last year. On a comparable basis it is expected that share earnings this year may reach $10.50.

There is fairly unanimous agreement that business generally will be at a lower level next year than in 1953. Close followers of the situation believe that Baltimore & Ohio will be able to show strong resistance to any such trend. In the first place there will be continuing cumulative benefits from additional diesel power, yard improvements, etc. The strict budgetary control system will also tend to keep operating costs, and particularly maintenance outlays, in line. Finally, continuing growth in some traffic items should cushion the impact of any general economic decline. This applies particularly to the developing Gauley coal field in West Virginia, expanding ore imports through the Port of Baltimore, and industrial growth of the Ohio River Valley. On the whole, then, Baltimore & Ohio seems on the threshold of another highly profitable year, the significance of which may be accentuated, so far as common stock holders are concerned, but a more rapid reduction in fixed charges and contingent interest requirements.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Arthur S. Ellis, Raymond P. Green, Elroy F. Perrien have been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 818 Gravier Street.

James Davies Member Of S. F. Stock Exch.

SAN FRANCISCO, Calif.—The Governing Board of the San Francisco Stock Exchange have announced the election of James M. Davies to membership in the exchange. Mr. Davies, a General Partner of Reynolds & Co., has conferred membership privileges on that firm.

Reynolds & Co. will maintain branch offices in San Francisco at 425 Montgomery Street, 245 Columbus Avenue and 557 Buckingham Way. Other branch offices in California will be maintained in Berkeley, Carmel, Oakland, Sacramento, Salinas, San Mateo, Santa Cruz and Santa Rosa.

William R. Rice, formerly a General Partner of Davies & Co., has also become a General Partner of Reynolds & Co.

Whipple With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Vernon W. Whipple has become associated with E. F. Hutton & Company, 2044 Tulare Street. He was formerly Fresno Manager for Davies & Co.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas H. Curtin, Jr. is now affiliated with First California Company, Incorporated, 647 South Spring Street.

Adams-Peck, Mallory, Adee to Merge

Plans for a proposed merger on Jan. 1, 1954 of Mallory, Adee & Co. and Adams & Peck, were announced by George E. Hite III, and Braman B. Adams, senior partners of Mallory, Adee & Co. and Adams & Peck respectively. The merged firm to be known as Adams & Peck, will be members of the New York and American Stock Exchanges, and will carry on the activities of the two predecessor firms on a broader scale, the announcement stated.

Headquarters of the combined firm will be located at 120 Broadway in the offices presently occupied by Mallory, Adee & Co. The firm will have private wire to Boston, Hartford and Philadelphia.

Mallory, Adee & Co. has conducted a general brokerage business with memberships on the New York and American Stock Exchanges.

Adams & Peck, established in 1924, has specialized in guaranteed and leased line railroad securities in addition to a general investment and underwriting business.

The present partners of Mallory, Adee & Co. and Adams & Peck will continue with the merged firm. The general partners will be as follows: Braman B. Adams, George E. Hite III, Archibald G. Alexander, William S. Wellington, Calvin D. Dale, Herbert L. Wisner, John R. Westerfield, Edward R. Greeff, George W. Perry, Frederick W. Hiort, Francis B. Gilbert, W. Wayne Battelle, Leland H. Wiley, Stanley A. Aldrich, Melvin A. Conant.

Hecker & Co. to Admit Four Partners

PHILADELPHIA, Pa. — Hecker & Co., Liberty Trust Building, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Jan. 1 will admit Maurice A. Hallam, Robert A. Kolb, John H. Patman, and Norman B. Smith to partnership. Oscar C. Schmidt, general partner, will become a limited partner on the same date.

Green, Erb Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Anton Potokar, Jr. has been added to the staff of Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The enthusiasm which has taken quotation of certain government issues into new high ground appears to be based largely upon a real investment demand, with institutions now appearing as buyers of Treasury obligations that have not been in the market for a considerable period of time. The extending of maturities has given a good fillup to the market as a whole because not a few of the commercial banks are moving into the longer-term issues in order to protect earnings that will be affected by a lessened demand for loans. Switches and swops are supplying a substantial amount of volume and activity, with indications that such operations will continue at a good pace for the balance of the year.

The 3¼% due 6/15/78-83, has been the bellwether of the market even though the recently issued 2¾% of 1961 has not been far behind. The longer-term discount issues have been well taken because of what is termed an important amount of averaging down purchases. The shorts have a good demand coming from corporations and banks.

Sources of Market's Strength

The strength which has been in evidence in the government market is due to a combination of forces, according to reports. First and foremost there has been a considerable amount of investment buying which ranged all through the list even though it seems as if the maturity lengthening policy of many institutions has given the intermediate and longer sections of the market more of a play than had been the case previously. The fact that the 1958 and 1961 maturities which were used in recent operations of the Treasury are being rather well absorbed by investors has given encouragement to operators in government securities. The floating supply of these two issues was supposed to have been on the full side not so long ago but the buying which has come into these bonds has pretty well taken care of that situation.

Accordingly, with securities going into strong hands it has made the distribution of these and other issues that were overhanging the market much less of a problem than had been anticipated by some operators in government obligations.

Distant Maturities in Demand

The maturity lengthening process continues to grow with many institutions, and there are definite indications that the longer end of the list is coming more into its own than has been the case for sometime. Not only the smaller out-of-town banks but also the larger money center institutions are moving into the more distant Treasury obligations. The bank bond, the 2½% due Sept. 15, 1967-72, has been under accumulation by some of the largest commercial banks, with competition also coming from smaller banks and private pension funds as well as public funds. The Vic's, the 2½s due Dec. 15, 1967-72, have likewise been well bought according to advices, with a considerable amount of price averaging being done in this bond by institutions and funds that have it at higher levels.

Tax switching is still very much in the forefront and this is one of the ways in which bonds are being supplied to the market, especially in the longer maturity range. It seems as though the swops which are being made are rather sizable in many instances with more of an inclination being shown now to make sure that the buy side is fixed up first because the supply in some issues is rather thin at times. Nevertheless, as a result of these exchanges, a fairly good two-way market is in evidence among most of the bonds, starting with the 2¼s of 1959-62 and out to the end of the list.

3¼s of 1983 Highlight Demand

The 3¼s due 6/15/78-83 has been one of the leaders in the upswing which has taken certain issues into new high ground for the year. It is reported that the buying which has been going on in this issue has been of a rather general nature despite the important commitments which have been made by the public funds. There has been a fair amount of profit taking in this issue with the professional element on both sides of such an operation. However, for the time being at least, it appears as though the demand for the longest Treasury bond is going to keep this issue pretty much in the limelight.

The short-term market is still the one in which there is the largest demand and the heaviest volume despite the movement to push out maturities. Corporations are giving the deposit banks competition for the most liquid government issues and, in this way, these securities which are being sold in favor of longer maturing ones are being taken without any appreciable effect upon the nearer term obligations.

Refunding of Maturing "F" and "G" Bonds

According to reports, the Treasury is giving plenty of consideration to the way in which the "F" and "G" savings bonds which mature in 1954 might be handled. Several plans are believed to be under discussion, ranging all the way from swops into the "J" and "K" savings bonds to a marketable obligation. There are also reports that an offer might be made for only those bonds that mature in the first half of next year. It should not be too long before a decision is reached on this matter.

Joins C. H. Reiter Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Arthur C. Botterell has become associated with C. H. Reiter & Co., Union Trust Building, members of the Cincinnati Stock Exchange. He was formerly with H. B. Cohle & Co.

Two With Haley Co.

(Special to The Financial Chronicle)

ORLANDO, Fla. — Mrs. Mabel White Slauson and DeVere W. Claus have become associated with Haley & Company, Inc., 327 North Orange Ave. Mrs. Slauson was formerly an officer of Slauson, White & Rowe, Inc.

Continued from first page

Where Are We Going from Here?

upward in a boom of giant proportions. In its vast sweep, this boom has shattered previous records with almost monotonous regularity. We have reached a point where the total output of all goods and services, at an annual rate, exceeds by almost $100 billion the rate established just before Korea. Industrial production has risen 11% in that period and is some 38% above the 1949 trough. Unemployment in October was equal to only 2% of the total civilian labor force, well under the 5% average for 1950. Personal income and consumption far exceed the levels of three years ago.

Where are we going from here? That question is on the lips of everyone, and rightly so. A number of economic indicators are growing increasingly suggestive of a downturn. At the very least, there is persuasive evidence that business activity has leveled out on a high plateau. Some observers have been calling it "the crest of the boom." Unfortunately, there is much less reliable evidence to indicate when, and to what extent, a descent will be made from the plateau or, if you like, when the crest of the boom will begin to recede.

What to Expect Next Year

If the outlook is appraised in terms of the three major spending factors—government, business and consumer—there seems to be good reasons for expecting continued strength and stability through at least the first two or three months of next year. For the balance of fiscal 1954, national security expenditures will remain at about their current annual rate of $42 billion. These expenditures are of tremendous significance to our present economic structure, equaling almost 15% of gross output. Military spokesmen have estimated that the Korean truce will enable a mere $1 billion reduction this year. Defense spending will be reduced gradually from its existing level. Other spending by the Federal Government in this fiscal year is now scheduled at about $22 billion, unchanged from 1953. It is reported that the Administration hopes for a $6 billion cut in the total fiscal 1955 budget. It is difficult to project the expenditures of state and local governments, but it seems reasonable to expect no substantial reduction in the foreseeable future. Adding all this up, it is quite probable that aggregate government purchases will continue to absorb nearly 25% of total output through the first six months of next year.

Another 15 or 16% of gross national product now flows into construction and business investment in plant. For the whole of this year, capital spending by business is expected to total $28 billion, which is a new record. These expenditures have been a major sustaining force to the economic activity in recent years. To what extent they will remain so is an open question at the moment. However, it appears safe to assume that a level not far from this year's will be carried throughout 1954's first quarter, if only as the result of sheer momentum. The excellent corporate profits expected for the current quarter, and expiration of the excess profits tax should provide added encouragement. On the other hand, termination of the rapid amortization privilege undoubtedly will create some dampening effect.

Reports concerning construction activity suggest a somewhat similar pattern to the one just described. It is expected that continued high levels for the remainder of this year and the first few months of 1954 can be counted upon. Granted that housing starts in October were down 4% from September, marking the sixth consecutive monthly drop, yet the total downturn thus far has been small, and indications are that this year's housing starts will amount to 1 million units, compared with the 1.1 million of 1952. Much of the decline is attributed to a lower volume of public housing and to the tight mortgage market of last spring and summer. Commercial construction has moved upward recently and October contract awards reflect gains over a year ago. A substantial portion of construction vigor demonstrates renewed availability of materials, following the Korean truce. The bolstering effect of that influence, however, probably will diminish shortly, coinciding with a further sag in housing demand.

Outlook for Consumer Spending

In contrast with business capital investment and government expenditures, which are largely planned in advance, personal consumption defies accurate prediction. Consumer spending, the largest single source of demand, is now absorbing more than 60% of all goods and services produced. Retail sales in general are holding at the strong rate established late in 1952 and, in some cases, show moderate improvement over figures of last year. Despite the great volume of their purchases, however, consumers recently have been saving approximately 8% of their disposable income, a rather high proportion in comparison with other periods. Presumably, a decline in personal income as a result of unemployment or curtailed working hours would be buffered by the present rate of saving and by the huge quantity of liquid assets in the hands of consumers. Recent surveys conducted by the Federal Reserve System and the University of Michigan disclosed that consumers still retain a confident, optimistic attitude regarding their own spending ability.

This overall picture of strength is reinforced by other elements. It is important to realize that our economy has been generally free of speculative excesses and unsound commitments in the financial and commodity markets. Also significant is the fact that the soft goods industries appear to be on fairly solid ground, having been subjected to a series of "rolling adjustments" since 1950. Recent observations gleaned from the cotton mill area of Alabama, Georgia, the Carolinas, and Virginia indicate that print cloths, shade cloths, certain broadcloths and some sheetings are well sold through the end of this year. Indications are that buyers of cotton textiles have extremely small inventories and that a large amount of cotton is still to be bought by mills. In early August, mills generally were optimistic. In many cases, though, at the moment the "jitters" are becoming more apparent. There is nothing in the textile picture, however, to indicate a poor year in 1953.

With respect to raw cotton, this has been one of, if not the finest, harvest seasons on record. There is no evidence, however, of country banks carrying any more loans on producers' cotton than usual, with warehouses in most areas having done an excellent job in handling this fast-moving crop.

As you know, the Administration in Washington is working on a new farm program, with certain refinements in the offing. The Secretary of Agriculture has proclaimed an acreage allotment of 17,910,448 acres for 1954. The House passed a Bill at the first session of this Congress, providing for a minimum allotment of 22,500,000 acres, but the Senate failed to take action. Press reports indicate that a small committee from the Senate Agricultural

Committee is studying the problem, and it now appears reasonable to assume that some action will be taken to increase the present announced allotment.

Clouds Appearing

However, a number of clouds have been appearing on the horizon. The showers they portend may gather into rain after the first quarter of 1954, with business inventories and outstanding indebtedness especially obvious.

Since early spring, it has been increasingly evident that industrial output is surging beyond demand. In the second quarter of this year, business inventories increased at an annual rate of almost $9 billion. Unquestionably, that growth represented involuntary accumulation. Nearly one-half was in retail stocks and all but a small portion reflected accumulation of finished durable goods, including consumer appliances and automobiles.

Similarly, the stimulus provided to business activity by expansion of bank credit is likely to assume less importance. Both the Treasury and the Federal Reserve System appear determined to achieve re-establishment of a sound monetary and fiscal structure. To that end, the natural balancing forces of supply and demand have been given relatively free play in the money market. Under those circumstances, there can be no expectation that the supply of loanable funds will be enlarged via inflationary maneuvers.

At the risk of seeming overly gloomy, I call your attention to other indications of a near-term reversal: the prolonged shrinking of farm income; deflated wholesale commodity prices in the face of rigid labor costs and finished prices; the rising number and dollar liability of business failures; the declining number of new incorporations; and lower freight carloadings.

The Look Beyond 1954

So far, none of these depressive factors signal more than moderate changes. I should like to emphasize my belief that they will not outweigh the economic system's upward forces through December and early 1954. Somewhere beyond that point, however, in the absence of new and powerful external developments, a downturn appears certain. A reduction in business capital investment will be joined with the disappearance of most order backlogs for durable goods and construction. At the same time, industrial inventory adjustment may become a pressing necessity, resulting in some curtailment of employment. In turn, to close the circle, an increase in the number of unemployed could be expected to react promptly upon consumer spending.

The extent to which these various movements can be contained within the limits of healthy correction will, of course, depend in large part upon the policies of government, a factor which attracts increasing attention. Moreover, the psychological reactions of the buying public will have considerable bearing upon the nature and extent of the downturn. The major influence, however, may well depend upon the policies and action of American businessmen. On their shoulders is the chief responsibility for avoidance of panicky retrenchment and ill-advised contraction. In their hands is the greatest ability to provide sound employment of human and material resources. They alone can awaken consumer interest through new and improved products. They alone can furnish the dynamic energy of more efficient techniques for production and distribution. In the approaching period of adjustment, American business will have a unique opportunity for meeting a most critical test. Let us earnestly and confidently prepare for a successful outcome.

Continued from page 5

The State of Trade and Industry

total of 1,800,000 tons of tired capacity in three plants in the Pittsburgh area. This is not a retrenchment in that area because the same company has added 3,700,000 tons of new capacity there since World War II.

In each case retirement of the old capacity was anticipated and other facilities were expanded to more than offset the loss. The result will be an increase in overall operating efficiency within the Pittsburgh district, with less intra-company shipments of iron and steel, it asserts.

Premium priced producers are feeling the order pinch more keenly. As a result, two producers in the East shaved carbon and alloy plate premiums, two in the Detroit area lowered cold-rolled strip, and one in the South lowered wire products.

But steel buyers are playing it close to the vest, deferring buying as long as possible while they try to parlay better deals on freight absorption or win other steel cost concessions. This strengthens belief that January business might be about the same as December and the worst in the first quarter, says this trade weekly.

The scrap market this week reflected the dimmer outlook for near term steelmaking operations. "The Iron Age" steel scrap composite price sank $1.83 a ton to $32 per gross ton. Consumer stocks are still large and the market is depressed, concludes this trade authority.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 85.8% of capacity for the week beginning Dec. 7, 1953, equivalent to 1,934,000 tons of ingots and steel for castings as against 87.5% and 1,972,000 tons (revised) a week ago. For the like week a month ago the rate was 92.3% and production 2,081,000. A year ago the actual weekly production was placed at 2,207,000 tons and the operating rate was 106.3% of capacity. The percentage figures for the current year are based upon the capacity as of Jan. 1, 1953, the rate this year being higher than last year.

Electric Output Turns Higher in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 5, 1953, was estimated at 8,582,459,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 444,294,000 kwh. above that of the preceding week, and an increase of 416,996,000 kwh., or 5.1%, over the comparable 1952 week and 1,138,495,000 kwh. over the like week in 1951.

Car Loadings Hold to Downward Course

Loadings of revenue freight for the week ended Nov. 28, 1953, decreased 129,502 cars, or 17.8% below the preceding week, due to the Thanksgiving Day holiday, according to the Association of American Railroads.

Loadings totaled 596,230 cars, a decrease of 74,141 cars, or 11.1% below the corresponding 1952 week, and a decrease of 225,546 cars or 27.4% below the corresponding 1951 week, which did not include the Thanksgiving Day holiday.

U. S. Auto Output Rises in Post-Holiday Week

Automobile output for the latest week rose about 86% above the previous week when model changeover operations, and the Thanksgiving holiday curtailed output, according to "Ward's Automotive Reports."

The industry turned out 97,147 cars last week, compared with 52,277 (revised) in the previous week when there was a Thanksgiving holiday. A year ago the weekly production was 94,886.

Business Failures Advance

Commercial and industrial failures increased to 202 in the week ended Dec. 3 from 173 in the preceding week, Dun & Bradstreet, Inc. reports. Casualties were considerably higher than a year ago when 120 occurred or in 1951 when there were 136. However, mortality remained 32% below the prewar level of 297 in the comparable week of 1939.

The week's rise was concentrated among small failures, with liabilities under $5,000, which climbed to 69 from 29 last week and 25 a year ago. Although casualties involving liabilities of $5,000 or more dipped to 133 from 144 in the previous week, they continued well above the 95 of this size occurring in the similar week of 1952. Twenty-five businesses had liabilities in excess of $100,000, as against 14 a week ago.

Mortality rose during the week in all industry and trade groups except construction, which dipped to 21 from 23. More concerns failed than last year in all lines; casualties among manufacturers, wholesalers and service concerns were twice as heavy as in the similar week of 1952.

Four geographic regions accounted for all of the weekly rise; the toll in the Middle Atlantic mounted to 88 from 64, in the South Atlantic to 13 from 7, in the West South Central to 13 from 5, and in the West North Central to 8 from 5. Four regions reported slight declines, including the Pacific States, down to 44 from 51. Mortality exceeded the 1952 level in six of the nine regions, with the most notable increase in the Middle Atlantic States. On the other hand, the New England and Mountain States had fewer casualties than last year and the East North Central States held steady.

Wholesale Food Price Index Rises Sharply to Highest Point in 9-Week Period

Up for the fourth week in a row, the Dun & Bradstreet wholesale food price index rose sharply from $6.53 a week ago to $6.62 on Dec. 1, the highest in nine weeks, or since Sept. 29 when it stood at $6.66. It represented a gain of 1.4% in the week, and 6.4% over the comparable 1952 level of $6.22.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Average Points Slightly Upward

Commodities generally advanced in the early part of the week but later declines wiped out most of the gains. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 275.32 on Dec. 1, comparing with 274.28 a week previous, and with 285.27 on the corresponding date last year.

Grain markets were firmer, lead by advances in corn and soybeans. Strength in corn was influenced by limited offerings coupled with an active demand. The restricted marketings of the yellow cereal reflected a tendency on the part of farmers to put corn under loan or withhold it rather than place it in the free market.

Soybeans rose for the 10th straight week on continued active domestic and export demand. Oats advanced in light trading while rye prices declined following early strength on reports of impending large imports from Canada. Sales of wheat and flour under the International Wheat Agreement during the week ended Nov. 24 totaled 3,200,000 bushels, as compared with 2,800,000 for the comparable week last year.

Shipping directions on hard wheat bakery flours remained in fairly good volume but new business during the week was small with bakers and jobbers showing an inclination to defer replacements in the face of recent downward adjustments in prices.

Cocoa prices moved higher in a resumption of the upward trend that has featured the market for sometime. Strength in the London market and the tight world supply outlook were the underlying factors in the rise. Warehouse stock of cocoa at 59,656 bags, were down slightly for the week, and compared with 35,989 bags a year ago. Lard prices went sharply higher influenced by the action in soybeans and the continued sharp upswing in live hog values. Swine receipts were down sharply from a year ago, resulting in decreased production of lard, stocks of which were said to be much smaller than in 1952.

Spot cotton prices declined in late dealings and closed moderately lower than a week ago.

Contributing to the easiness were increased hedge selling, disappointment over the smaller CCC loan entries, and the growing belief that the acreage allotment for next year's crop will be materially increased from the 17,900,000 acres currently allotted.

A slight increase in the parity price for cotton from 34.22 cents in mid-October to 34.35 cents in mid-November had little effect marketwise. Reported sales in the 10 spot markets declined moderately from a week ago and the like week a year ago. Loan entries in the week ending Nov. 20 totaled 418,700 bales, almost identical with the preceding week and comparing with 590,100 bales two weeks earlier. Entries for the season through Nov. 20 were reported at 3,811,100 bales. Cotton ginned prior to Nov. 14 totaled about 12,400,000 bales, or 1% larger than the volume ginned to the like date last season.

Trade Volume Registers Noticeable Improvement

Retail trade expanded noticeably in most sections of the nation in the period ended on Wednesday of last week as jingling cash-registers heralded the coming of Christmas. Although a number of retailers were dissatisfied with the consumer response on the day after Thanksgiving, which is widely considered the bellwether of the entire Christmas season, most merchants still expected to set new records this season. The bulk of the buying was anticipated in the last two weeks before Christmas, which was the pattern last year.

Some retailers in New York City were apprehensive about the loss of volume due to the newspaper shutdown, particularly if it continued for more than a few days. The strike ended on Tuesday of the current week.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% higher than the level of a year ago. Regional estimates varied from the comparable 1952 levels by the following percentages: New England 0 to +4; East —1 to +3; Midwest and Northwest +1 to +5; South and Southwest +2 to +6; and Pacific Coast +3 to +7.

The buying of apparel rose more than seasonally last week as gift shoppers were accompanied by many others replenishing their winter wardrobes. The demand for women's coats and men's suits rose markedly, following the delayed buying during the mild fall weather. Wintry weather in many sections spurred the buying of both gift items and outerwear.

Housewives reduced their food purchases slightly the past week as they presented the Thanksgiving turkey in various guises.

However, the total dollar volume of food purchases remained mildly higher than the level of a year ago.

Household goods were in much larger demand than in the previous week and about as popular as they were a year ago. Rising perceptibly was the interest in television sets, phonograph records, radios, giftware and small appliances.

Trading activity slipped slightly in the holiday-shortened week. The total dollar volume of wholesale trade remained close to the high level of a year earlier.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Nov. 28, 1953, decreased 4% below the level of the preceding week. In the previous week, Nov. 21, 1953, a decrease of 2% was reported from that of the similar week of 1952. For the four weeks ended Nov. 28, 1953, no change was reported. For the period Jan. 1 to Nov. 28, 1953, department store sales registered an increase of 2% above 1952.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Nov. 28, 1953, registered a decrease of 5% from the like period of last year. In the preceding week Nov. 21, 1953, an increase of 1% was reported from that of the similar week of 1952, while for the four weeks ended Nov. 28, 1953, a decrease of 1% was reported. For the period Jan. 1 to Nov. 28, 1953, a decline of 1% was registered from that of the 1952 period.

Mutual Funds

By ROBERT R. RICH

THE AXE-HOUGHTON weekly business index declined in November principally because of a reduction in miscellaneous loadings coincident wtih a further decrease in automobile production. Electric power production has increased, but not enough to alter the moderate downward trend which seems to have set in since the beginning of last July.

The Axe-Houghton index of durable goods raw material prices has advanced 9% since Oct. 2 although it is not certain that the advance represents anything more than a partial recovery from the 20% decline from July 31 to Oct. 2. Copper and steel scrap are the only components of this index showing significant advances. Lead scrap has advanced slightly, and tin and zinc not at all.

The semidurable goods raw material price index continues to show no definite trend.

NEW ORDERS received by manufacturers, seasonally adjusted, declined sharply in August, but were unchanged in September at the lowest level since July 1952. Inventories have continued to expand, so that the ratio of new orders to inventories is now the lowest since 1949 with only a short distance to go to reach a new low since 1938.

Manufacturers' unfilled orders appear to be receding at an increasing rate, from $70½ billion at the end of July to $64½ billion at the end of September. The peak was on Sept. 30, 1952; the situation as it has developed in the course of the year ended Sept. 30, 1953 is shown in the following table:

Manufacturers' Unfilled Orders and Inventories (000,000,000)

	Sept. 30, 1952	Sept. 30, 1953
Unfilled orders	$75.7	$64.5
Inventories, seasonally adjusted	43.2	46.4
Difference	$32.5	$18.1

These figures, the Survey comments, bring into sharp focus the fact that manufacturers generally are continuing to build up inventories to meet a decreasing backlog of unfilled orders.

In 1952 and the first quarter of 1953 considerable optimism could be derived from the circumstance that the inventories of nondurable goods manufacturers were declining, while the rise in durable goods inventories could be attributed to defense work. But this is no longer true, it is said. Nondurable goods inventories have been expanding since the end of March, allowing for seasonal variation, and total business inventories (the sum of the inventories held by manufacturers, wholesalers, and retailers) have been rising since the end of last January and are the highest on record.

The downward trend in interest rates started by the lowering of member bank reserve requirements has continued, bringing about further moderate advances in the prices of high-grade fixed-income securities, The Axe Survey reports. During the last two months the Reserve Board has done virtually nothing to influence the money market, but this has been unnecessary because commercial, industrial, and agricultural loans have declined, allowing for seasonal variation, and there has been only a moderate loss of gold since the beginning of September. The transaction by which the Treasury avoided exceeding the debt limit, moreover, added $500 million to reserve bank reserves and increased the reserve ratio.

The decline in commercial loans, seasonally adjusted, has been more or less officially explained as being the result of a slowing down in the rate of inventory expansion. This explanation seems a bit odd in view of the circumstance that the correlation between loans and inventories, such as it is, is apparently a direct one rather than one connected with the rate of change in inventories.

What appears to have happened, the Survey believes, is that loans expanded much faster than business inventories in the first half, and now that they are declining with almost equal rapidity it may mean merely a return to the customary relationship, or it may indicate a still-to-come downturn in inventories, in which case of course the shrinkage in loans may be considered a favorable longer-range symptom.

OPEN-END REPORTS

SCUDDER, STEVENS & Clark Fund, Inc. reports total net assets on Dec. 8, 1953 of $40,374,566, equal to $28.94 per share on 1,395,348 shares outstanding on that date. This compares with total net assets a year ago of $40,277,969, equivalent to $29.785 on 1,268,344 shares outstanding at that time, adjusted to reflect the share for share distribution to holders of record on Oct. 30, 1953.

SCUDDER, STEVENS & Clark Common Stock Fund, Inc. reports total net assets on Dec. 8, 1953 of $5,114,470, equal to $14.71 per share on 347,801 shares outstanding on that date. This compares with total net assets a year ago of $4,385,334, equivalent to $15.16 on 289,300 shares then outstanding, adjusted to reflect the share for share distribution to holders of record on April 30, 1953 and total net assets of $664,758 at the time of the reopening for the issue of new shares in the Spring of 1950.

AN INCREASE of $5,864,781 or 26% in net assets by Television-Electronics Fund in its fiscal year ended Oct. 31, 1953, increased its total to an all-time high of $27,835,082 on that date, according to its annual report made public.

Net asset value in the period increased to $13.85 a share from $13.57 a share the year previously. The Fund closed its fiscal period with the largest number of shares outstanding in its five-year history. They totaled 2,009,921 as compared with 1,619,318 on Oct. 31, 1952.

The principal new common stock investments by the Fund in the six months ended Oct. 31, 1953, were in Eaton Manufacturing Company, Electronic Associates, Inc., Garrett Corporation, Giannini (G. M.) & Co., Globe Union, Inc., and Technicolor, Inc.

Purcell Predicts No Regression For Economy in 1954

Alert professional money management will be able to serve investors more efficiently under a progressive return to a "more realistic economy" in 1954, Robert W. Purcell, Chairman of the Board of Investors Diversified Services, said in a year-end statement. I. D. S. manages more than $1,200,000,000 in net assets and serves in excess of 600,000 holders of face-amount investment certificates and mutual funds shares issued by its subsidiary and affiliated companies.

Pointing out that probable reduction in individual income taxes and the expected end after Jan. 1 of the excess profits tax will release financial and economic pressures that long have been deterrents to desired business expansion and family investment blueprints, Mr. Purcell said he believes the new year will witness a consolidation of the gains of recent years rather than a general regression in the economic life of the nation.

"Many qualified observers," he said, "are agreed that consumer demand generated by huge personal savings, as well as the amazing population growth, will tend to take up any slack caused by a decline in war orders. Most of them are convinced that the longer the period of adjustment, the shallower will be the decline if it does occur.

"Regressive conditions in industry already have been partially discounted, as current prices of securities seem to indicate. And the fact that very many business executives are planning for expansion in plants, wider distribution of products and accelerated research for new products and services is encouraging evidence of a deep-rooted confidence in the long-term future.

In support of this opinion, Mr. Purcell referred to the persistent resistance of business and industry to recurrent predictions of an imminent collapse over the past few years, with the result that those predictions have not materialized. In spite of high taxes and post-war adjustments, he pointed out, the nation has maintained high earning and living standards and business generally has experienced a period of prosperity.

"Although there probably will be a leveling off, due to necessary adjustments," Mr. Purcell added, "industry should have little difficulty in obtaining new capital during 1954. Our company's studies indicate continued growth of individual and institutional investments in both fixed-return and fluctuating-return securities. Public interest in mutual funds has been particularly marked and continues to grow.

Capital seeking investment opportunities will be more discriminating in 1954, however, than during previous post-war years, the I. D. S. board chairman said.

"In a period of adjustment such as we are now entering, professional business management organizations such as ours must revalue the growth and earnings potential of all industry, old and new, he emphasized.

"For Investors Diversified Services, Inc., this means that we shall seek constantly to improve and enlarge our research facilities so that we may continue to perform for the investors we serve the competent and conscientious job selection and supervision of securities that has been an important factor in the growth of our company."

CHANGES in the holdings of Canadian Fund, Inc., a mutual fund managed by Calvin Bullock, for the quarter ended Oct. 31, 1953, included purchases of 3,600 shares of Aluminium, Ltd., 8,660 Bell Telephone of Canada, 4,200 Calvan Consolidated Oil, 3,100 Seagram's, 2,000 International Nickel and 2,200 Hiram Walker. Sales included 1,750 Asbestos Corp., 3,300 International Paper and 5,000 Montana Power.

CALVIN BULLOCK'S December Bulletin discusses the relatively high yield of Nation-Wide Securities as an important feature to institutional investors.

With purchases of $50,000 to $100,000, the acquisition cost is reduced to 3¾%, affording a yield of 4.39% based on a recent offering price. Above $100,000 with the sales charge reduced to 2¾%, Nation-Wide yielded 4.44%.

In a recent independent analysis of 11 balanced funds Nation-Wide was shown to have one of the highest rate of return.

TWO OF the larger trusts in the United Fund, Inc. group will distribute or add to shareholder's accounts more than $4 million the day before Christmas, Cameron K. Reed, President, announced.

United Income fund shares, as a result of a 19-cent dividend from investment income and a year-end distribution of 26 cents from securities profits, will provide a distribution of $2,698,334.

The United Accumulative Fund shares will receive 59 cents from investment income and 21 cents from securities profits, providing a total distribution of $1,357,088.

The combined payments are $855,000 greater than in the like 1952 period, reflecting greater asset and income. The net asset value of United Income Fund shares Dec. 3, the ex-dividend date for the dividend distributions, was $72,592,195, against $64,750,085 a year earlier.

The United Accumulative Fund assets totaled $20,389,833, against $12,908,703. Total assets of the United Fund group, including the United Science and United Continental Fund shares, were at a new peak of $111,305,855, against $92,158,850 a year before.

The investment trusts this year made distributions to nearly 40,000 shareholders in the amount of $7,461,930, compared with $6,091,833.

THE SPONSORS of Delaware Fund have prepared for distribution to dealers an analysis in layman's language of the advantages of the ownership of mutual fund shares under joint tenancy. The 500-word article is the work of James P. Schellenger, member of the Philadelphia Bar Association and of the staff of the management of the Fund.

His article explains the legal nature of this type of joint ownership and discusses its possible advantages to shareholders, particularly in Pennsylvania.

Mr. Schellenger found that some 25% of Delaware Fund shareholders own their shares as "joint tenants with the right of survivorship" and as "tenants by the entireties." He observed, too, that more and more Delaware Fund shareholders are purchasing their shares jointly with another person.

Firm Bond Prices Predicted for '54

General business activity and corporate earnings are likely to be only moderately lower in 1954, according to Hugh W. Long, President of the Manhattan Bond Fund, who stated, "Recent actions by the U. S. Treasury and the Federal Reserve Board, as well as the supply and demand for credit, suggest to your fund's management that interest rates generally are not likely to increase in the months ahead. This, in turn, means that prices of bonds should be free of the downward pressures to which they were subjected int he first half of 1953 when U. S. Treasury 2½% bonds due in 1967-1972 declined to a price more than 10% below their face value."

Manhattan Bond Fund, Inc., a 15-year old mutual fund investing only in bonds, reports assets of $25,599,464 for the fiscal year ended Oct. 31, 1953, and net asset value per share of $7.72 compared with $7.85 per share at the end of the preceding year.

Assets of the Fund at the year-end were invested in 53 bond issues having an average market price per $1,000 face value of $850.26. Their cost averaged $826.99. Financial reports of the companies whose bonds were owned by the Fund show that on average they had more than $2,400 of net assets for each $1,000 of bonds.

During the year a security profit distribution of 5.6 cents a share and dividends of 36½ cents a share were paid compared with 5.0 cents and 37.0 cents, respectively, in 1952.

Quarterly Investment Company Statistics

Source: National Association of Investment Companies

INVESTMENT COMPANY COMMON STOCKS

Non-leverage, General Portfolio

These investment companies have only one class of security outstanding, i.e. common stock. Their portfolios consist primarily of common stocks, but they may hold varying proportions of cash, government securities or other securities. These issues provide investors with diversification and investment supervision.

	Market Price Sept. 30, 1953	Approx. Net Asset Value per Share Sept. 30, 1953	Discount (—) or Premium (+)	Dividends Latest Fiscal Year	Nine Months 1953 Price Range
Adams Express	25¾	$35.89	—28.3%	[2]$1.60	35¼-25⅛
American European	[1]26¾	29.30	— 8.7	[8]1.04	31½-27
American International	17	22.78	—25.4	[3]1.00	22⅞-16½
Boston Pers. Prop. Trust	[1]23 7/16	31.01	—24.4	1.40	30 -23
Connecticut Inv. Mgt. Corp.	14⅜	5.11	—14.4	[4].17	Unlisted
Consolidated Inv. Trust	[1]26¼	28.42	— 7.6	[3]1.45	Unlisted
Insuranshares Certificates	[1]13 15/16	[9]16.88	—17.4	0.30	15½-13½
Lehman Corporation	66¾	63.83	+ 4.6	[6]1.96	80⅛-62½
National Shares Corporation	[1]26½	32.95	—19.6	[7]1.14	32¾-25¼
Niagara Share "B"	[1]15 13/16	[10]23.66	—33.2	0.75	18⅝-15½
Shawmut Association	[1]18¾	30.03	—37.6	1.00	21⅝-18¼
Tobacco & Allied Stocks	39¾	[11]46.76	—15.0	2.00	39½-35½

1 Mean between bid and asked prices.
2-8 Plus the following amounts paid from realized capital gains:
2 $0.80 3 $0.91 4 $0.13 5 $0.72 6 $2.08 7 $1.59 8 $1.76
9-11 After deducting the following amounts a share reserve for taxes on unrealized appreciation:
9 $2.67 10 $0.43 11 $10.73

Non-leverage, Specialized Portfolio

These issues are similar to those above, except that investments are concentrated in a particular industry and the purpose is to provide diversification and investment supervision within a limited field. National Aviation's portfolio comprises aircraft manufacturing and air transport issues while Petroleum Corporation owns securities of companies in the oil business.

	Market Price Sept. 30, 1953	Approx. Net Asset Value per Share Sept. 30, 1953	Discount (—) or Premium (+)	Dividends Latest Fiscal Year	Nine Months 1953 Price Range
National Aviation	21	$22.71	— 7.5%	[1]$0.90	25⅝-19½
Petroleum Corporation	18⅝	22.00	—15.3	[2]1.20	21½-17¼

1 Plus $1.50 and 2 Plus $0.50 paid from realized capital gains.

INVESTMENT COMPANY BONDS

Few investment companies still have bond issues outstanding, many having been retired or refunded with bank loans. The remaining issues are relatively small in amount and are rather conservative, being covered several times by assets. Price ranges are narrow and have been omitted; most of the issues are unlisted and transactions have been infrequent.

	Market Prices Sept. 30, 1953	Call Price	[3]Yield to Maturity	Asset Coverage Sept. 30, 1953
Carriers & General 3% debentures 1961	[1]94	[4]102	3.9%	554%
*General Shareholdings 3% debentures 1960	[1]99½	[5]102⅛	3.1	864
*Selected Industries 2⅞% debentures 1961	[2]96½	[6]102⅛	3.4	864
Tri-Continental 2⅞% debentures 1961	[2]92¾	[7]102⅛	4.0	864

*These debentures assumed by Tri-Continental Corporation pursuant to merger.
1 Asked price.
2 Mean between bid and asked prices.
3 On basis of price indicated in first column.
4 To May 1, 1954; thereafter premium decreases by ¼% a year to maturity, except in year ending May 1, 1957, when it decreases by ½%.
5 To Dec. 1, 1953; thereafter premium decreases by ⅜% a year to Dec. 1, 1954; then by ¼% a year to maturity.
6 To April 1, 1954; thereafter premium decreases by ⅜% a year to April 1, 1955; then by ¼% a year to maturity.
7 To March 1, 1954; thereafter premium decreases by ⅜% a year to March 1, 1955; then by ¼% a year to maturity.

INVESTMENT COMPANY PREFERRED STOCKS

Investment company preferred shares, as a general rule, are of interest primarily to investors seeking income. There is, however, some variation among available issues in asset protection, stability of price, yield and regularity of dividend payments.

Yields are shown for all issues except one with unpaid arrears. As to the latter, the amount in arrears and payments during the past 12 months are shown in a footnote.

	Market Price Sept. 30, 1953	[1]Yield	Approx. Asset Coverage	§Amount to Which Entitled in Liquidation	§Call Price	Nine Months 1953 Price Range
*Amer. Elec. Securities $0.30 partic.	[2]3 15/16	¶	$5.17	[3]$5.00	†	‡
Equity Corporation $2 cum. conv.	32¾	6.1%	175.13	50.00	$52.50	35 - 32¼
Gen'l Amer. Inv. $4.50 cum.	[2]101¼	4.4	783.39	100.00	105.00	104¾- 98¼
*Gen'l Public Service $6 cum.	[5]99½	6.0	1,408.79	[4]100.00	110.00	106 - 99½
*Gen'l Public Service $4 cum. conv	[5]75	5.3	1,408.79	[4]100.00	110.00	Unlisted
*No. Amer. Inv. Corp. 6% cum.	[2]21	7.1	38.00	25.00	†	22 - 20½
*No. Amer. Inv. Corp. 5½% cum.	[2]18¾	7.3	38.00	25.00	26.25	20 - 18⅜
*Pacific-Amer. Inv. $1.50 cum.	[2]25	6.0	53.69	25.00	26.25	Unlisted
*Tri-Continental $6 cum.	[2]109⅝	5.5	340.53	100.00	110.00	112¼-106½
U. S. & For. Secur. $4.50 cum. 1st	98	4.6	872.13	100.00	105.00	101 - 95½
U. S. & International $5 cum. 1st	87	5.7	287.68	100.00	105.00	96¼- 86

*Preceded by prior obligations—bank loans, funded debt, or prior preferred stock.
†Non-callable.
‡No transactions reported.
§Excluding arrears.
¶Dividends paid in past 12 months—$0.30; Amount in arrears—$1.575.
1 On basis of price indicated in first column.
2 Mean between bid and asked prices.
3 Participates equally as a class with common in remaining assets.
4 $110 a share in voluntary liquidation.
5 Bid.

First Boston-Ames Group Offering Quebec Debentures

First financing in the American market by the nine-year old Quebec Hydro-Electric Commission was made Dec. 9 with the public offering of $50,000,000 of the Canadian authority's 3½% debentures, series K, maturing Dec. 1, 1978, by a banking group headed jointly by The First Boston Corporation and A. E. Ames & Co. Incorporated. Guaranteed unconditionally by the Province of Quebec as to principal and interest, the debentures are priced at 99.1759 and accrued interest from Dec. 1 last and are redeemable at the option of the Commission at 103 to and including Nov. 30, 1962; at 102 thereafter to and including Nov. 30, 1966; at 101 thereafter to and including Nov. 30, 1970, at 100½ thereafter to and including Nov. 30, 1974, and thereafter at 100. An agency of the Crown, the Commission is empowered to generate, acquire, sell, transmit and distribute electricity and gas throughout the Province.

Hayden, Miller Co. Celebrating 50 Years

CLEVELAND, Ohio — Hayden, Miller & Co., Union Commerce Building, members of the Midwest Stock Exchange, is celebrating the 50th anniversary of the founding of the firm by W. S. Hayden and Otto Miller in 1903. In honor of their anniversary, the firm has issued a most attractive illustrated brochure on its history and the history of the investment business in Cleveland during the past 50 years.

Present partners of Hayden, Miller & Co. are Daniel W. Myers, Galen Miller, Theodore Thoburn, Dana F. Baxter, Harrison C. Frost, Jr., Morgan C. Penn, Elbridge S. Warner, Lawrence S. Robbins, Jr., general partners, and John S. Fleek special partner.

Corporation Traders Christmas Party

The Corporation Bond Traders Club will hold its annual Christmas Cocktail Party on Dec. 17 at Whyte's Restaurant (145 Fulton) at 5:30 p.m. A buffet supper will be served. Charles Zingraf, Laurence M. Marks & Co., Inc., is Chairman.

Conservative Gas Corp. Acquires LP-Gas Business

Harry N. Forman, President of Conservative Gas Corporation (Delaware), has announced that his corporation has acquired the LP-Gas business of Conservative Gas Corporation (New York). The new company is owned by associates of Carl M. Loeb, Rhoades & Co. Louis E. Seley and Simon Seley, the former owners, will hold a substantial financial interest in the business.

Conservative Gas Corporation (New York) in business 26 years, is one of the leading retail distributors of LP-Gas on the eastern seaboard.

Mr. Forman also announced the appointment of the following individuals as officials of Conservative Gas Corporation (Delaware): Don L. Besanceney, Operations Manager; George A. Reeves, Controller, and Carl A. Jacobson, Sales Manager.

With Watling, Lerchen

(Special to THE FINANCIAL CHRONICLE)

ANN ARBOR, Mich.—Otto W. Haisley is now associated with Watling, Lerchen & Co., Ann Arbor Trust Building.

Continued from page 14

Financing of Oil Property Acquisitions

mary basis for the decision was that on the facts of the case, the sale was not an arms length transaction.[13] This decision is being appealed to the Fifth Circuit. At least one other case, in which the Treasury's position will be attacked, is currently docketed in the Tax Court.[14]

The tax treatment of the proceeds of a "carved-out" oil payment is therefore far from a settled matter. Such "carved-out" oil payments should be avoided where the vendor wishes to be sure of capital gains treatment.

Reserved Oil Payment—The A-B-C Transaction

The courts have held that when oil leases are transferred in consideration of a cash payment and an oil payment to be satisfied from the property conveyed, the transaction is in part a sale for cash and in part a reservation of an economic interest in oil in place.[15] That is, the vendor is considered as never having sold that portion of the oil in place necessary to satisfy the oil payment. The Treasury agrees with these decisions.[16] After first recovering the tax basis of any depreciable equipment out of the cash payment received, the vendor's remaining basis is allocated between the interest sold and the interest retained in proportion to the fair market value of each.[17] The reservation of an oil payment does not prevent the treatment of gain realized on the cash sale of the equity interest as capital gain.[18] Also, the Treasury has ruled that the sale of an in-oil payment right, if such right constitutes the entire depletable interest of the vendor in the property, results in capital gain.[19]

The combination of these factors has made popular the so-called A-B-C transaction. "A," an operator, can sell his working interest rights to "C," retaining an oil payment, and then sell the retained oil payment to "B." The entire sales price of both interests is treated as the proceeds from the sale of capital assets because at the time that "A" sold his oil payment, he had no other depletable economic interest in the property. "B," the holder of the oil payment, can borrow against it from a bank. The difference between the rate of return on the cost of the oil payment and the interest payable to the bank represents "B's" profit on the transaction. "C" can generally acquire the equity for a relatively small cash outlay.

There are many variations to the A-B-C transactions. For example, the purchase by "B" and "C" from "A" could be in a simultaneous transaction whereby it was agreed that the sale of the oil payment could not precede nor follow the sale of the operating rights but could become effective only at the exact moment that both contracts became executed.[20]

Often, the leaseholder insists that his interest be purchased in toto, for cash. This can be done in several ways. For example, "B" can purchase "A's" entire interest and then assign the operating rights to "C," retaining the oil payment. Another method would be to have an intermediary purchase the property from the leaseholder and act as "A" in the A-B-C transaction. The intermediary could be a corporation formed for the purpose.

It does not appear that the Treasury is attacking A-B-C transactions except where "B" and "C" are not completely independent parties. The formation by "C" of an alter ego corporation to act as "B" and hold the oil payment and borrow against it from a bank can lead to an attack on the whole transaction.

The A-B-C transaction is by far the most popular method of financing the acquisition of producing properties because it has the most tax advantages. The original owner of the property receives his full sales price in cash and is taxed at capital gain rates. The holder of the oil payment is entitled to deductions for depletion and interest paid so that his taxable income is limited to his profit represented by the excess of the face value of the oil payment over cost and the interest differential. This income is taxable only as received. The acquiring operator obtains an equity in the property for a minimum cash outlay. As the share of the oil and gas reserved under the oil payment never becomes the property of the owner of the working interest, the proceeds from the sale of the oil used to satisfy the oil payment are never included in the gross income of the operator.[21] In operating the property, the working interest owner must bear the cost of lifting all the oil—the royalty oil, the oil payment oil and the working interest oil. It is accepted law that the operator does not have to capitalize the cost of lifting royalty oil.[22] Up to the present, there has been no attempt on the part of the Treasury Department to require the operator to capitalize the cost of lifting oil payment oil on A-B-C transactions. However, discussions with representatives of the Internal Revenue Service indicate that where the cost of lifting the oil necessary to satisfy the oil payment exceeds the net income from the property, the Treasury will require such excess to be capitalized as additional lease cost recoverable through depletion. The validity of such a requirement is doubtful but the general opinion is that in order to minimize the tax dangers to an operator, oil payments should not be payable out of so large a percentage of production as to eliminate all profit to the working interest during the period of the pay out.[23]

The only tax disadvantage to the A-B-C method is the fact that during the pay out period of the oil payment, the deduction for depletion will be exceedingly small to the operator. Percentage depletion is limited to 50% of net income — usually nominal during this period—and cost depletion is computed on the basis of working interest oil produced against total working interest oil. Usually, during the pay out period of the oil payment only a very small percentage of "working interest oil" is produced. For example, if the oil payment is payable out of 80% of production then only 20% of production during the pay out period represents working interest oil.

The "Combination Oil Payment"—Partly Reserved—Partly Carved Out

Sometimes a property is assigned in exchange for a cash payment and an oil payment payable from a larger property than the one assigned. An example of this situation would be where there were two adjoining leases owned by different operators and one of the operators purchases the other lease for cash and an oil payment payable out of both leases. This transaction can take several forms. For example, if prior to the sale, the two tracts were unitized and one operator sold his interest in the unit, retaining an oil payment payable out of no greater fraction than the interest assigned, the transaction would be similar to the reserved oil payment discussed under the A-B-C transaction. If there is no unitization prior to the sale and one oil payment, payable out of both leases, is exchanged with cash for the working interest in one of the leases, the transaction would be considered to be an exchange of property and cash for property.[24] Although part of the oil necessary to satisfy the oil payment will be produced from the property assigned, the Internal Revenue Service would probably not consider this to be in any part a reserved oil payment. There are no rulings on this point but in one of the few decided cases, the Tax Court indicated that, when an oil payment is reserved out of a greater property than the interest assigned, no recognition will be given to the fact that there is to some extent a reservation of oil.[25] Of course if a property were assigned for cash a reserved oil payment and an oil payment out of other property, the transaction would be considered to be a reservation of an interest in property transferred for cash and other property.

The Treasury Department has always contended that the exchange of an oil payment for a working interest, royalty interest or any other interest extending over the life of the property represented an exchange of unlike properties and therefore a taxable transaction.[26] The Tax Court has supported this interpretation of the law.[27] If the Treasury is correct, then in those transactions in which property is deemed to be exchanged for other property plus cash, the assignor of the working interest realizes capital gain measured by the difference between his basis for the property and the sum of present value of the oil payment plus the cash received.[28] Moreover, the purchaser of the working interest would be deemed to have gain to the extent that the value of the property acquired exceeded its basis for the oil payment plus cash paid.[29]

In a very recent case, the Court of Appeals for the Fifth Circuit, reversing the District Court, held that both oil payments and overriding royalties were interests in land and therefore like properties and that therefore the exchange of one for the other was a tax free transaction.[30] Although certiorari was not authorized, it is not known yet whether the Treasury Department will follow this decision. Should this case become established as the law, then the assignor of a working interest for cash and an oil payment not reserved from said working interest, will be deemed to have made an exchange of like properties with boot, in the nature of cash, received. Gain on the transaction will be recognized only to the extent of cash received.[31]

The purchaser of the properties for cash and the oil payment should likewise be deemed to have made a tax free exchange of cash and property for property.

Payments in Oil That Are Not "Oil Payments"

As used by the courts and in Treasury Department rulings, the terms "oil payment" or "in-oil payment" have a definite connotation.[32] There are many payments in oil which are not oil payments. When oil runs are assigned to a bank to pay off a loan, the bank is receiving its payment in oil but it does not have an "oil payment" because it does not have an economic interest in the oil in the ground. Sometimes a property is purchased under a contract whereby the purchaser agrees to pay a specified number of barrels of oil or the proceeds thereof for a specified period of years. This price is payable whether or not the property acquired produces sufficient oil to meet the purchase price. The obligation is definite, not contingent on production. The only thing indefinite is the ultimate amount. This is a payment in oil that is not an oil payment.

The seller realizes capital gain on the sale of his porperty, measured by the difference between his basis and the present value of the obligation calling for the payments in oil.[33] As the consideration will be payable over a period of years, with less than 30% thereof receivable in the first year, the seller can elect to use the instalment method, reporting in each year that portion of the total gain to be realized which is represented in the payment received.[34]

The purchaser has acquired an asset with its basis equal to the cost of the oil necessary to fulfill the terms of the purchase. One possible treatment would appear to be the capitalization, as cost of the property, of the present value of the contract to pay in oil, with the discount used in determining such value considered as interest expense as the obligation is liquidated.[35] The Treasury Department, however, would probably require the capitalization of an amount computed by multiplying the total number of barrels due under the contract by the current price of oil. In succeeding years, as oil is delivered in accordance with the terms of the contract, it is probable that the price of oil will be higher or lower than on the date of the execution of the contract. There does not seem to be any case directly in point which can be cited as authority for any specific method of handling the difference between the value of oil delivered and the amount originally set up as basis. The Treasury Department will probably require that such differences be treated as an adjustment to basis. However, oil is being used simply as a medium of exchange in this transaction and by analogy to cases on the handling of property purchased with foreign currency, there is authority for treating the differences between original price and actual cost as gain or loss in exchange without any adjustment to basis.[36] Whatever course is taken, the treatment should be consistent from year to year. To avoid possible adjustment of tax returns upon examination, it might be advisable to procure a ruling from the Internal Revenue Service as to the proper method of handling these differences should there be any possiblity of the discrepancy between original value and the current value of oil becoming substantial.

The Limited Working Interest

There is another type of A-B-C transaction in which a so-called "limited working interest" is used instead of an oil payment. "A," the leaseholder, sells the working interest to "B" and "C" under an agreement whereby "B" is to own and operate the property until he recovers his cost plus an agreed upon profit and then the working interest is to pass to "C." Sometimes "B" comes back into the picture for a fractional interest after "C" has recovered an agreed upon amount.

The tax consequences of a limited working interest transfer are comparatively simple. "A" having sold his entire interest in the property for cash, receives capital gains treatment of the proceeds of the sale. "B" receives ordinary income during the period in which it operates the property, being allowed as deductions therefrom all operating costs and the higher of cost or percentage depletion. "C" has no income or deductions until "B's" limited working interest expires. Thereafter "C" owns the property and reports income and deductions in the same manner as from any other producing property.

Either "B" or "C," or both, may mortgage their interests to a lending institution. Such a transaction is similar to any other mortgage loan, with deductions being allowed for interest paid but not for any payments made against the principal of the loan. Through the use of dummy corporations, it is often possible to have the limited working interests conveyed to the eventual "B" and "C" subject to a mortgage but without personal liability. While this restricts liability to the value of the property, it should not affect any of the tax consequences of the transaction.

Market Price Guarantees

In the various types of deferred payment transactions, the major portion of the funds necessary to complete the transaction is usually advanced by a bank, insurance company or educational institution. In most instances, the sole hope for recoupment of advances and realization of profit is dependent upon the production and sale of the oil in the property acquired. Modern, efficient production methods and improved engineering techniques enable investors to procure accurate estimates of the reserves in the property but it is impossible to accurately forecast the future price of oil over the extended period often required to pay out the advances. As a result, lending or investing institutions sometimes require a guaranteed market for the oil necessary to satisfy oil payments or mortgage loans. This is provided by an oil purchase agreement wherein the entire production from the property is contracted for during the period of the pay out of the obligation at the posted price in the field or an established minimum price, whichever is the higher. Sometimes, where the operator-equity owner is an integrated company, it contracts to purchase the production. At other times, a pipeline company or refinery makes the minimum price guarantee. In such cases, the oil purchaser is usually given the right to recoup excess payments made from oil produced after the oil payment or mortgage loan is satisfied. Sometimes the third party oil buyer makes the deal solely because it needs the oil and wishes to guarantee itself a source of supply. Often, the oil buyer requires a share in the equity interest as consideration for making the guarantee. This can be handled in several ways. The oil buyer could join with "C," the operator, in acquiring the equity interest, either directly or through acquisition of shares in a corporation formed for that purpose. A fraction of the equity could be conveyed to the oil buyer with enjoyment to take effect after the pay out of the oil payment or other prior interest or the oil purchaser could be given an option to acquire an interest in the property after the original obligation had been satisfied. These latter two methods might involve problems of valuation of the option or future interest acquired with an attempt upon the part of the Treasury to tax such value as current income to the recipient.[37]

Lease and Bond or Lease and Option Agreements

The "market price guarantee" relates solely to the price of the oil. If for any reason there is no production in a month, no payment is made in that month. For years, the mining industry has been using a combination lease, purchase and option agreement which provides for minimum payments, regardless of production, until a specified amount has been paid, or forfeiture of the property.[38] Agreements of this type could undoubtedly be adapted to the oil

industry. For example, an operator could acquire an "option" to purchase a property at a stipulated price upon the payment of a small cash down payment. The operator would be entitled to operate the properties and would pay a specified amount per barrel of oil produced or a specified percentage of gross receipts to the lessee, with a guarantee of a minimum annual payment. The nonpayment of the minimum would result in the forfeiture of the operator's rights in the property but there would be no personal liability. All payments made by the operator would apply against the purchase price of the property and when the full price was paid the operator could exercise its option to acquire the property.

On the basis of the Treasury's ruling with respect to mineral properties, per-barrel payments would be excludable from the operator's gross income but taxable to the lease owner as ordinary income subject to depletion. The cash down payment and any minimum payments would be capital expenditures by the operator and proceeds from the sale of a capital asset to the recipient. The lease owner could undoubtedly sell his interest in the property subject to the "lease and option agreement" and realize capital gain on the transaction in a manner similar to the sale of a reserved oil payment in the A-B-C transaction.

Under this arrangement there is no need for a "market price guarantee" and the holder of the oil payment right is assured that its income will continue despite temporary shut-ins or curtailment of production, because regardless of the price of oil or the amount of production, the minimum payment must be made if the operator wishes to retain its interest in the property.

Accounting Treatment

The accounting treatment to be accorded each of the various types of deferred payment acquisitions previously discussed depends upon which of the two basis principles the particular transaction is deemed to represent.

Purchase of Entire Property with Offsetting Liability

Where the entire property is considered as having been acquired, with an offsetting liability incurred, the total cost of the property is set up on the asset side of the balance sheet and the indebtedness is shown as a liability. For example, assume the acquisition of a property with funds borrowed from a bank. The amount of the bank loan would be shown as a liability and the total cost of the property would be shown as an asset in the initial entry. Each year, depletion, computed on the basis of total reserves and total cost, would be taken against the property and the liability would be reduced by the amount paid against the principal of the bank loan.

Income for the year would be the proceeds from the total oil produced, less depletion, all lifting costs and interest on the loan. This would be the treatment regardless of whether or not all or any portion of the oil runs had been assigned to the bank to pay off the loan.

In some instances, property is acquired by the operator subject to a mortgage but with no personal liability for the debt. This does not change the accounting treatment except that a note to the balance sheet should show that the liability has not been assumed.

If instead of having been acquired with funds borrowed from a bank, the property were purchased for a cash payment and an agreement by the purchaser to pay a stipulated number of barrels of oil per year for a period of years, regardless of production from the properties, the accounting treatment would be quite similar to the treatment in the case of the bank loan. The obligation to make the payments in oil is definite, not contingent, and should be reflected as a liability on the balance sheet. The initial amount of this liability is determined by multiplying the total number of barrels due under the contract by the posted price of oil on the date the contract was signed. The basis of the property is the sum of the cash payment and the amount of the liability. A note to the balance sheet should show that the liability is payable in oil.

In succeeding years, as the price of oil fluctuates, the balance sheet should show the liability at an amount representing the quantity of oil to be delivered in the future multiplied by the posted price of oil on the date of the contract or the posted price of oil at the date of the balance sheet whichever was *higher*, with the basis of the property changed accordingly. Income from the operation of the property would be computed in the same manner as income from a property purchased for cash except that fluctuations in the price of oil would change the basis of the property and therefore per-barrel depletion would vary from year to year.

The balance sheet of the vendor of the property should show the receivable at an amount representing the quantity of oil to be received in the future, priced at the *lower* of the posted price at the date of the sale or the posted price on the balance sheet date. Offsetting the asset, the liability side of the balance sheet will show a deferred credit representing the anticipated profit to be derived from the sale of the property. If the deferred credit is material with reference to the company's overall financial position, it may be desirable to show separately the amount of the deferred credit attributable to anticipated profits after income taxes and the estimated amount of such taxes.

Purchase of Portion of Vendor's Interest in the Property

When less than the entire interest in the property is deemed to have been purchased, the books of account should reflect only the interest acquired. The courts have held that when property is purchased subject to an outstanding economic interest, such as an oil payment, the oil in the ground necessary to satisfy this outstanding interest has not been acquired.[42] Assume that instead of having acquired the property with the aid of funds borrowed from a bank, the operator acquired the property through an A-B-C transaction wherein the property is purchased from the original vendor for cash by a third party who assigns the equity to the operator subject to a reserved oil payment.

"A," the original owner, having received all cash for his property, reports capital gain on the sale. "B," the holder of the oil payment, apportions his cost of the property between the interest retained and the interest sold to "C" in order to determine gain or loss on the sale to "C," if any, and basis for the retained oil payment. This apportionment is based on the fair market value of the interest on the date of sale. "B," receives a stipulated percentage of the total oil run, against which cost depletion is taken. If "B" mortgages the oil payment to a bank, income is charged with the amount of interest paid but not with payments against the principal of the loan.

"C," the equity owner, is deemed to have acquired only that portion of the oil remaining in the property after the pay out of the oil payment. "C's" basis for this asset is the amount of cash paid. The proceeds from the sale of the portion of the oil runs not assigned to "B" in satisfaction of the oil payment constitutes gross income to "C." Deductions against this amount are all lifting costs and depletion. Depletion is determined by subtracting the number of barrels of oil necessary to satisfy the oil payment, at current prices, from the total reserves to determine the working interest oil; dividing the basis for the property by the number of barrels so computed and then multiplying this per-barrel figure by the number of barrels of working interest oil produced during the period.

The per-barrel cost depletion of the operator must be recomputed each year, for as the price of oil fluctuates, the quantity of oil necessary to satisfy an oil payment stated in dollars changes, resulting in a change in the equity reserves. After the "oil payment" has paid out, the proceeds from all of the oil sold from the property constitutes gross income to "C." The pattern is "break even" operation during the years while the oil payment is in force, substantial income thereafter, if initial estimates of reserves are correct.

Alternative Theory of Accounting for Property Subject to Oil Payments

There is an alternative theory of accounting for property subject to oil payments which results in a more even distribution of the income over the period of operation of the property. Although the courts have held that oil in the ground necessary to satisfy a reserved oil payment never becomes the property of the purchaser of the equity, the alternative accounting theory considers the operator as having acquired the entire property subject to an obligation to make certain payments in oil. The accounting treatment is similar to that accorded the acquisition of a property subject to a mortgage which has not been assumed. The entire cost of the property, including the face amount of the outstanding oil payment, is set up as an asset and the amount of the oil payment is entered as an offsetting liability with an explanatory note showing that the liability is payable only when and if oil is produced from the property. Depletion is computed by dividing total cost of total reserves.

Unusually, the transaction is shown net rather than broad. That is, instead of showing a separate liability for the oil payment, the unpaid balance of the oil payment is deducted from the total cost of the property and the net balance is shown as the investment in the asset.

Because ownership of the entire property is the basis for this theory, regardless of whether the asset is shown net or broad, all of the oil runs, undiminished by that portion necessary to pay off the oil payment, are considered as gross income of the operator. Net income is determined by deducting depletion, computed on the basis of total cost divided by total reserves, and all operating costs from the gross income.

Of course, each of the two theories results in the same net income being shown by the operator for the life of the property, but while under the first theory, the very major portion of the income is reported in the last years of operation of the property, after the pay out of the oil payment, the application of the second theory results in an equal portion of the net income being reflected in each year's accounts if there is no major fluctuation in the price of oil. To some extent, the second theory represents an anticipation and averaging of total income to be received and it cannot accurately reflect income unless it is based on an accurate estimate of total reserves. An overstatement of reserves could result in a serious distortion in reported income. Correct use of this method is therefore dependent upon an accurate engineering determination of the extent and nature of the reserves under the property.

Contingent Liabilities

Accurate information as to reserves is also necessary in any transaction where there is a guarantee, or contingent liability, to pay if production does not result in a certain stipulated amount. An example of this type of transaction is where the holder of an oil payment sells the oil payment, guaranteeing that it will produce at least the amount paid by the purchaser. Having disposed of all of its interest in and to the oil payment, such vendor would remove the payment from its asset accounts. What about the treatment of the contingent liability represented by the promise to pay in the event that the oil payment does not pay out? As long as engineering reports indicate sufficient reserves to take care of the liability, a note to the balance sheet should be sufficient notice of the existence of the contingency. At such time, however, as engineering reports indicate that the reserves may not be adequate, appropriate provision should be made for the possibility of payment by the setting up of a reserve account out of earned surplus.

Conclusion

It must be emphasized that it is not the purpose of this paper to describe the mechanics whereby the various types of deferred payment plans can be put into operation. There are numerous modifications of each of the financing plans mentioned. Any method adopted should be tailored to fit individual needs, but only after all of the ramifications have been carefully reviewed by legal and accounting advisors.

REFERENCES

1 Remarks made by Jno. E. Kilgore, Dallas, Texas, at the Mineral Section of the American Bar in Boston, Aug. 26, 1953.

2 *Anderson v. Helvering* 310 U. S. 404.

3 I.R.C. Sec. 117 (j); I.T. 3693, 1944 C.B. 272.

4 I.R.C. Sec. 44.

5 *Anderson v. Helvering* 310 U. S. 404; Montgomery's Federal Taxes, Corporations & Partnerships 1951-52, Vol. 1, p. 1003; C.C.M. 24849, 1946-1 C.B. 66.

6 *Thomas v. Perkins* 301 U.S. 655; Com'r v. O'Shaughnessy, Inc. 124 F (2d) 33; *Lee v. Com'r* 126 F (2d) 825; *Godshall* 13 T.C. 681.

7 *Thomas v. Perkins* 301 U.S. 655.

8 C.C.M. 24849, 1946-1 C.B. 66.

9 I.T. 4003, 1950-I.C.B. 10; G.C.M. 24849, 1946-1 C.B. 66.

10 James T. Williams, II—*Assignment of Leasehold, Royalty and Oil Payment*—Second Annual Institute of Oil and Gas Law and Taxation—Southwestern Leg... Foundation, p. 513.

11 *R. E. Nail*—27 B.T.A. 33 (acq. XI... 1 C.B. 9, acq. withdrawn N.A. 1949-... C.B. 6); *Ortiz Oil Co.*—37 B.T.A. 65... aff'd C.C.A. 5 102 F (2d) 503; *Majest... Oil Corp.* 42 B.T.A. 659.

12 Kenneth G. Miller—*Selling Oil Payments*—Taxes. The Tax Magazine, March, 1949, p. 185; George E. Ray—*Assignment of In-Oil Payment Rights*—Proceedings, New York University Ninth Annual Institute on Federal Taxation, p. 505.

13 *D. K. Caldwell v. Com'r*, District Court for Northern District of Texas, October, 1953.

14 *P. G. Lake, Inc.*—Docket No. 4868...

15 *Com'r v. Fleming* 82 F (2d) 324; *Cullen v. Com'r* 118 F (2d) 651.

16 G.C.M. 22730, 1941-1 C.B. 214.

17 *Columbia Oil & Gas Co. v. Com'r* 11... F (2d) 459; Kenneth G. Miller—*Oil & Gas Federal Income Taxation* — Second Edition, p. 166.

18 Cullen v. Com'r 118 F (2d) 651.

19 G.C.M. 24849, 1946-1 C.B. 66, I.T. 4003, 1950-1 C.B. 10.

20 James T. Williams, II—*Assignment of Leasehold Royalty and Oil Payment*—Second Annual Institute on Oil and Gas Law and Taxation, Southwestern Legal Foundation.

21 Commissioner v. Fleming 82 F (2d) 324; G.C.M. 22730 supra, *Thomas v. Perkins* 301 U.S. 655.

22 Regulations 111, Sec. 29.23 m-1.

23 Harry C. Weeks—*Purchase of Oil and Gas Properties* — Third Annual Institute of Oil and Gas Law and Taxation, Southwestern Legal Foundation, p. 391.

24 *John Vaccaro*—T. C. Memo Decision Sept. 23, 1943; C.C.H. Decision 13516 (M).

25 *Charles Burke*, 5 T.C. 1167.

26 I.T. 4093, 1952-2 C.B. 130.

27 *Midfield Oil & Gas Co.* 39 B.T.A. 1154; *Kay Kimbell, et al*, 41 B.T.A. 940; *Charles Burke* 5 T.C. 1167, *John Vaccaro* T.C. memo, C.C.H. December 13516 (M).

28 idem

29 I.R.C. Section 111 (b)

30 *Fleming v. Campbell*, C.C.A. 5th, No. 14338, June 26, 1953, 53-5 C.C.H., par. 9469.

31 I.R.C. Sections 112 (b) 1 and 11... (c).

32 *Anderson v. Helvering*, 310 U.S. 404; G.C.M. 24849, 1946-1 C.B. 66.

33 I.R.C. Section 111 (b).

34 I.R.C. Section 44.

35 *Kentucky Tobacco Products v. Luca...* 5 F (2d) 723.

36 *Joyce-Koebel Co.*, 6 B.T.A. 403, *Willard Helburn, Inc.* 20 T.C. No. 106 (1953)

37 *Belridge Oil Co.*, 11 B.T.A. 127.

38 G.C.M. 23999, 1943 C.B. 144.

42 *Thomas v. Perkins*, supra.

With Paine, Webber

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Dewey T. Tackaberry has become affiliated with Paine, Webber, 4... North Camden Drive. He was formerly with Harris, Upham & Co. and prior thereto conducted his own investment business in Los Angeles.

With June S. Jones Co.

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Granville De W. Morgan is now affiliated with June S. Jones & Co., U. S. Bank Building.

A Vanished "Dollar Gap"

"It would seem that the period of huge export balances in U. S. foreign trade is drawing to a close. Moreover, with the merchandise or 'visible' export surplus in non-military goods reduced to an annual rate around $1 billion, but with so-called 'invisible' items and U. S. Government expenditures for military installations and maintenance of our troops abroad netting foreign countries $1 billion or more, it appears that our overall trade and service accounts with the rest of the world are now in balance. Temporarily at least, the much talked of 'dollar gap' has been eliminated.

"Additional dollars flowing abroad in the form of U. S. Government economic aid and private capital transactions have actually created a dollar surplus. Foreign countries have been accumulating gold and dollar resources at a rate in excess of $2 billion a year, thereby strengthening the underpinning of their currencies."—The National City Bank of N. Y.

Here is a fact not to be overlooked when the question of further foreign aid comes up early next year.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 13	§85.8	*87.5	92.3	106.3
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 13	§1,934,000	*1,972,000	2,081,000	2,207,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 28	6,227,300	6,259,150	6,027,600	6,668,550
Crude runs to stills—daily average (bbls.)	Nov. 28	†7,083,000	7,066,000	6,867,000	7,143,000
Gasoline output (bbls.)	Nov. 28	24,788,000	24,710,000	23,713,000	24,107,000
Kerosene output (bbls.)	Nov. 28	2,687,000	2,312,000	2,721,000	2,842,000
Distillate fuel oil output (bbls.)	Nov. 28	10,443,000	10,622,000	10,173,000	10,939,000
Residual fuel oil output (bbls.)	Nov. 28	8,171,000	8,253,000	7,991,000	8,942,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 28	149,842,000	145,193,000	143,368,000	126,833,000
Kerosene (bbls.) at	Nov. 28	36,019,000	36,028,000	37,963,000	32,190,000
Distillate fuel oil (bbls.) at	Nov. 28	132,736,000	133,439,000	134,631,000	117,990,000
Residual fuel oil (bbls.) at	Nov. 28	50,908,000	50,494,000	51,558,000	52,401,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 28	596,230	725,732	780,863	670,371
Revenue freight received from connections (no. of cars)	Nov. 28	595,280	633,812	654,731	654,554
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 3	$294,411,000	$145,096,000	$152,790,000	$344,173,000
Private construction	Dec. 3	176,848,000	92,246,000	88,529,000	220,700,000
Public construction	Dec. 3	117,563,000	52,850,000	64,261,000	123,473,000
State and municipal	Dec. 3	105,655,000	44,334,000	56,008,000	78,856,000
Federal	Dec. 3	11,908,000	8,516,001	8,253,000	44,617,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 28	7,400,000	*8,955,000	9,120,000	9,071,000
Pennsylvania anthracite (tons)	Nov. 28	475,000	588,000	604,000	663,000
Beehive coke (tons)	Nov. 28	63,800	*75,100	83,100	79,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 28	133	131	113	138
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 5	8,582,459	8,138,165	8,397,523	8,165,463
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 3	202	173	207	120
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 31	4.632c	4.632c	4.634c	4.376c
Pig iron (per gross ton)	Nov. 31	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Nov. 31	$33.83	$34.83	$35.33	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 2	29.700c	29.675c	29.675c	24.200c
Export refinery at	Dec. 2	28.650c	28.925c	28.875c	34.800c
Straits tin (New York) at	Dec. 2	81.750c	86.250c	81.500c	121.375c
Lead (New York) at	Dec. 2	13.500c	13.500c	13.500c	14.000c
Lead (St. Louis) at	Dec. 2	13.300c	13.300c	13.300c	13.800c
Zinc (East St. Louis) at	Dec. 2	10.000c	10.000c	10.000c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 8	95.56	94.95	95.45	96.77
Average corporate	Dec. 8	106.04	106.04	106.21	109.60
Aaa	Dec. 8	110.52	110.70	111.44	113.70
Aa	Dec. 8	107.98	107.80	108.52	112.37
A	Dec. 8	105.86	105.69	105.86	109.06
Baa	Dec. 8	100.32	100.16	99.68	103.97
Railroad Group	Dec. 8	103.80	103.64	104.31	107.09
Public Utilities Group	Dec. 8	106.39	106.21	106.39	109.60
Industrials Group	Dec. 8	108.16	108.16	108.34	112.37
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 8	2.81	2.86	2.82	2.73
Average corporate	Dec. 8	3.39	3.39	3.38	3.19
Aaa	Dec. 8	3.14	3.13	3.09	2.97
Aa	Dec. 8	3.28	3.29	3.25	3.04
A	Dec. 8	3.40	3.41	3.40	3.22
Baa	Dec. 8	3.73	3.74	3.77	3.51
Railroad Group	Dec. 8	3.52	3.53	3.49	3.33
Public Utilities Group	Dec. 8	3.37	3.38	3.37	3.19
Industrials Group	Dec. 8	3.27	3.27	3.26	3.04
MOODY'S COMMODITY INDEX	Dec. 8	411.0	406.7	395.5	406.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 28	192,667	193,817	227,040	188,958
Production (tons)	Nov. 28	235,824	252,244	257,169	228,894
Percentage of activity	Nov. 28	86	95	96	91
Unfilled orders (tons) at end of period	Nov. 28	374,435	421,729	423,728	457,365
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 4	106.83	106.41	105.98	109.20
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Nov. 21	22,229	19,197	23,472	31,082
Number of shares	Nov. 21	656,509	565,869	657,320	923,384
Dollar value	Nov. 21	$28,402,039	$25,189,730	$29,262,676	$40,314,408
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 21	22,750	19,533	22,299	29,894
Customers' short sales	Nov. 21	200	168	218	146
Customers' other sales	Nov. 21	22,550	19,365	22,081	29,748
Number of shares—Total sales	Nov. 21	658,403	556,192	625,446	858,850
Customers' short sales	Nov. 21	7,388	5,729	7,566	4,843
Customers' other sales	Nov. 21	651,015	550,463	617,880	854,007
Dollar value	Nov. 21	$24,528,354	$21,455,008	$23,996,330	$34,239,581
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 21	234,700	184,710	205,900	271,220
Short sales	Nov. 21	------	------	------	------
Other sales	Nov. 21	234,700	184,710	205,900	271,220
Round-lot purchases by dealers—					
Number of shares	Nov. 21	226,710	190,780	235,930	353,980
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Nov. 14	249,620	255,460	286,570	221,630
Other sales	Nov. 14	5,874,440	6,224,480	5,800,330	5,996,720
Total sales	Nov. 14	6,124,060	6,479,940	6,086,900	6,218,350
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 14	550,940	668,950	627,120	636,510
Short sales	Nov. 14	123,930	122,680	127,010	118,600
Other sales	Nov. 14	450,660	517,230	510,360	500,980
Total sales	Nov. 14	547,590	639,910	637,370	619,580
Other transactions initiated on the floor—					
Total purchases	Nov. 14	163,410	238,020	201,900	155,480
Short sales	Nov. 14	11,000	10,800	15,800	7,100
Other sales	Nov. 14	117,840	181,550	155,980	132,500
Total sales	Nov. 14	128,840	192,350	171,780	139,600
Other transactions initiated off the floor—					
Total purchases	Nov. 14	272,065	262,330	221,190	284,840
Short sales	Nov. 14	20,300	32,710	41,800	40,350
Other sales	Nov. 14	191,970	224,200	212,195	263,995
Total sales	Nov. 14	212,270	256,910	253,995	304,345
Total round-lot transactions for account of members—					
Total purchases	Nov. 14	986,415	1,169,300	1,050,210	1,076,830
Short sales	Nov. 14	155,230	166,190	184,610	166,050
Other sales	Nov. 14	760,470	922,980	878,535	897,475
Total sales	Nov. 14	915,700	1,089,170	1,063,145	1,063,525
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 1	110.2	110.0	109.8	110.0
Farm products	Dec. 1	95.1	95.0	93.5	102.4
Processed foods	Dec. 1	104.3	103.8	104.8	104.3
Meats	Dec. 1	86.9	84.8	96.9	96.2
All commodities other than farm and foods	Dec. 1	114.6	114.6	114.5	112.8

*Revised figure. †Includes 606,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of Sept. (millions of dollars):			
Manufacturing	$46,438	*$46,195	$43,224
Wholesale	10,631	*10,438	9,932
Retail	22,262	*22,115	20,281
Total	$79,331	*$78,748	$73,437
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of November (000's omitted):			
Total U. S. construction	$794,315	$1,469,252	$1,079,879
Private construction	405,043	856,392	663,996
Public construction	389,272	612,860	415,383
State and municipal	314,417	501,468	264,599
Federal	74,855	111,392	151,284
CONSUMER PRICE INDEX—1947-49 = 100 — Month of September:			
All items	115.2	115.0	114.1
Food	113.8	114.1	115.4
Food at home	113.5	114.1	115.4
Cereals and bakery products	120.3	119.5	117.4
Meats, poultry and fish	113.5	114.1	119.2
Dairy products	109.6	109.1	112.5
Fruits and vegetables	106.6	112.7	111.5
Other foods at home	116.7	114.4	113.7
Housing	118.4	118.0	114.8
Rent	126.0	125.1	118.3
Gas and electricity	106.9	106.9	105.0
Solid fuels and fuel oil	124.6	123.9	119.6
Housefurnishings	108.1	107.4	108.1
Household operation	116.0	115.8	112.1
Apparel	105.3	104.3	105.8
Transportation	130.7	130.6	127.7
Medical care	122.6	121.8	118.8
Personal care	112.9	112.7	112.1
Reading and recreation	107.8	107.6	107.3
Other goods and services	118.5	118.4	115.9
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC.— (1947-1949 = 100) Month of October	128.3	*131.6	130.6
COTTON GINNING (DEPT. OF COMMERCE)— As of November 14	12,424,935	--------	11,187,785
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Oct. 31	22,906,000	22,944,000	23,122,000
Spinning spindles active on Oct. 31	19,953,000	20,039,000	20,215,000
Active spindle hours (000's omitted) October	11,192,000	9,044,000	11,525,000
Active spindle hours per spindle in place Oct.	452.2	463.8	498.6
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average = 100—Month of October:			
Sales (average monthly), unadjusted	116	100	*120
Sales (average daily), unadjusted	110	102	113
Sales (average daily), seasonally adjusted	104	98	*108
Stocks, unadjusted	130	123	*127
Stocks, seasonally adjusted	116	117	113
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of October:			
Weekly earnings—			
All manufacturing	$71.73	*$71.02	$70.38
Durable goods	77.90	*76.55	76.38
Nondurable goods	63.67	*63.18	62.06
Hours—			
All manufacturing	40.3	*39.9	41.4
Durable goods	41.0	*40.5	42.2
Nondurable goods	39.3	*39.0	40.3
Hourly earnings—			
All manufacturing	$1.78	$1.78	$1.70
Durable goods	1.90	1.89	1.81
Nondurable goods	1.62	*1.62	1.54
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1935-39 = 100—Month of Oct.:			
Seasonally adjusted	231	232	230
Unadjusted	235	236	233
LIFE INSURANCE PURCHASES—INSTITUTE OF LIFE INSURANCE—Month of Oct.: (000's omitted):			
Ordinary	$1,952,000	$1,774,000	$1,828,000
Industrial	562,000	519,000	535,000
Group	394,000	465,000	375,000
Total	$2,908,000	$2,758,000	$2,738,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES— Month of September (millions of dollars):			
Inventories:			
Durables	$26,447	*$26,302	$23,292
Nondurables	19,991	*19,894	19,932
Total	$46,438	*$46,195	$43,224
Sales	24,876	25,398	23,663
MONEY IN CIRCULATION—TREASURY DEPT. —As of Sept. 30 (000's omitted)	$30,275,000	$30,248,000	$29,419,000
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—September, 1909-July, 1951 = 100 —As of Sept. 15:			
Unadjusted—			
All farm products	256	258	288
Crops	234	237	264
Food grain	219	215	240
Feed grain and hay	200	198	234
Tobacco	452	430	428
Cotton	279	277	329
Fruit	221	208	200
Truck crops	159	221	182
Oil-bearing crops	251	262	305
Livestock and products	276	276	309
Meat animals	299	305	349
Dairy products	274	267	307
Poultry and eggs	231	230	227
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Sept. (000's omitted):			
Exports	$1,244,000	$1,184,000	$1,128,000
Imports	923,000	841,137	876,107
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of November 30	$275,282,380	$273,452,160	$267,482,827
General fund balance	5,922,862	5,126,181	7,635,969
Net debt	$269,359,518	$268,328,979	$259,846,858
Computed annual rate	2.424%	2.435%	2.345%

Continued from first page

As We See It

thirty days. It is probably a safe guess that policies laid down will not please all elements in the Republican party. It would be strange if any such outcome were to develop. What gives this outlook a serious appearance is the fact that those elements in the Republican party most likely to be unenthusiastic about programs worked out by the Administration are precisely those who are, and always have been, anti-Eisenhower—and anti-almost-everything-else that has occurred lately—and their opposition often is as much politically as patriotically inspired and is generally supported by strongly organized political factions. It is fairly evident that either these groups have chosen Senator McCarthy as a tool for the accomplishment of their purposes or else the Senator is doing his utmost to usurp the leadership of them.

What Would They Do?

It would be a great help to the thoughtful observer with the good of the country much more at heart than the ascendancy of any political faction if more were known about what these recalcitrant Republicans would like to have Congress and the Administration do between now and the middle of next year. It would, moreover, be heartening to have some sort of assurance that those who would take leadership away from the President are not leaning toward the idea of substituting condemnation of the sins of preceding administrations for constructive action now as a means of appealing to the voters next year.

Senator McCarthy would make "communism" and the "softness" of the Roosevelt and Truman administrations toward communists in government one of the leading, if not the leading, issues next year. This apparently he would do even if meanwhile danger to the nation had been eliminated by removal of all disloyalty from the ranks of government. Now, we should be the last to try to shield anyone who was remiss in these matters in years past. We should certainly condemn the Eisenhower Administration if it did not do all that is necessary to complete the task of cleansing the Augean stables. But important as all this may be, it is not enough to enable the Republican party to go before the people next year with a convincing case for continuation in office. And the party must not give any one opportunity to accuse it of using "red herring" tactics next year.

Demagoguery

Senator McCarthy has made the melodramatic demand that the people rise up and compel the Eisenhower Administration to forthwith cut off all aid to those countries which trade with Communist China. Whatever the merits or demerits of this particular demand, it seems to us that the whole question of foreign aid to any and every nation, regardless of whether they trade with Communist China, is badly in need of the most careful reconsideration and restudy. Must we go on indefinitely bribing nations to look after their own interests—or, at least, what we insist is their own interest? Is our generosity actually accomplishing the ends which have been leading us on with this aid business? How much longer can we afford this Quixotic behavior? These seem to us to be much more basic and vital questions for us today than any thought that we must use our gifts as a bribe to influence certain nations in their attitude toward China or any threat of a cessation of aid as a means of coercing them.

For our part, we should go even further. Has not the time come to take another look at the whole complex constituting our foreign policy? Let us place all these things in their historical perspective, and then inquire whether or not we are: (1) Living faithfully up to our traditional policy of non-interference with the internal affairs of other peoples; (2) Whether or not we are always realists in some of our uncompromising attitudes in world affairs—attitudes which find little or no response anywhere else in the world; (3) Whether or not we with our far-flung defense lines are not feeding a real fear of aggression on our part without doing all that we could to assure better understanding of us on the part of other peoples.

As to domestic policies, too, one searches in vain for any broad, statesmanlike ideas or proposals by that faction in the Republican party who are reputedly set upon hamstringing the President. It may well be that when the Administration finally brings forth its 1954 program, parts of it will not deserve support. About that we have no way of knowing at present. But a program which on the whole is well worth support simply must be evolved by the Republicans, who must show convincingly early next year that they can and will give it the breath of life. Otherwise the party will deserve the defeat that would await it.

Continued from page 5

The Controversial Taft-Hartley Issue

what should be done to work out a better system than exists at the present time.

Three principal ideas are being considered.

(A) Enlarge the membership of the Board from five to seven members. Completely separate the functions of the Board by creating a new independent agency of government to be known as the Administrator of the National Labor Relations Act. His duties would be to investigate and prosecute unfair labor practice cases and to handle representation matters. The Board would act in a judicial capacity only. Various procedural changes would be made in the handling of cases.

(B) Abolish the National Labor Relations Board. Representation matters including determination of bargaining unit, deciding whether a particular union is the choice of a majority of employees in the particular bargaining unit, eligibility of employees to vote, etc., to be handled by a small Federal agency with no other responsibilities. Unfair labor practice cases to be handled by the Federal District Courts, with the investigating and prosecuting functions in the Department of Justice. At the local level the U. S. District Attorney would decide whether or not the charge of an unfair labor practice is sufficiently well-founded to issue a complaint. Further prosecution to be handled by the District Attorney's office, or by the parties themselves, if they so desire. Appeals from decisions of the U. S. District Court would, of course, follow the present appeal procedure now in effect.

This proposal will require additional Federal judges and more personnel in local District Attorney offices. The Education and Labor Committee staff at my request has already made preliminary surveys to find out just what will be required and what the probable increase in case load may be.

(C) Similar to the (B) proposal, except that unfair labor practice cases would be handled by a Specialized Court somewhat along the lines of the Tax Court, rather than by the Federal District Courts.

I hope you will consider these proposals most carefully. Your thoughts on these or on any other suggestions dealing with this particular item will be most welcome. It is my firm conviction that the administration of the labor law is of vital significance. It would throw a different light on some other proposals to amend Taft Hartley which have received considerable publicity.

II
State-Federal Jurisdiction

The present law gives maximum coverage to the National Labor Relations Act. Few employers are not subject to the comprehensive clause, "affecting commerce," as used in the present law, and as defined by numerous decisions.

The law allows the NLRB to cede jurisdiction over unfair labor practices to State agencies, but as far as I know, it has never been done.

The small employer is frequently helpless. The National Labor Relations Board refuses to assert its jurisdiction over the small employer, and has set up a series of standards as to volume of business, which makes it impossible for him to get before the agency.

On the other hand, in applying these same jurisdictional standards to unions, the NLRB adds up the volume of business done by all the employers with whom the union has a contract. This gives the NLRB jurisdiction over the union which makes it possible for NLRB to deny small employers any relief they may have received from state agencies. This was definitely brought out during the hearings last spring. Therefore, I favored the amendment of the 19 amendments which would limit Federal authority so as to empower the States to take whatever action they see fit to govern the relationships which exist between small employers, their employees and organized labor. Such a provision would help to clear up some of the confusion which has arisen as to the actual coverage of the present law.

Recent court decisions have virtually destroyed basic State statutes enacted to protect their citizens against various forms of strikes and picketing. This has come about through the doctrine of pre-emption—the theory that once the Federal Government acts to restrain some types of strikes and picketing, the States are thereafter precluded from further regulating the same kind of activity. The States should have the right to govern the conduct of strikes and picketing within their borders.

On State emergencies, i.e., strikes and lockouts wherein the health or safety of the citizens in a State are threatened by the existence or continuation of a labor controversy, the States should have complete authority. Such State statutes should be supreme, until and if the President takes jurisdiction of such disputes as have become national in scope under the national emergency provisions.

The present law, in another section vests an over-riding authority in the States to enact "right to work laws." One of the proposals in the group of 19 would have eliminated the "right to work" laws of States. I opposed the proposal. I believe that States should have authority in this field. There is quite an argument as to how much authority. One school of thought believes that the States should have the right to act as they see fit on the subject of union memberships. That would mean that States could enact "right to work laws," and laws permitting closed shops and union shops. There is some uncertainty in my own mind what changes should be made in the present provisions—just what jurisdiction should be given in the entire field.

As to the exercise of their normal police powers, there should be no question of the right of States to act when circumstances require it.

III
Secondary Boycotts

When Congress passed Taft Hartley, it prohibited certain practices. Most indefensible of these practices was the secondary boycott.

I am not going to try at this time to define a secondary boycott. It is sufficient to say that what we want to do is to protect, by law, innocent third persons from being brought into labor disputes on one side or the other by means of economic pressures.

In enacting Taft Hartley we thought it was effective in both defining and providing a remedy against secondary boycotts. We did not reckon with some fertile imaginations. Many boycotts were outlined during the hearing. Some were carried on with the sanction of the NLRB; others revealed a laxity of administration.

For purposes of clarification and regulation we should redefine the prohibited secondary boycott. The following practices which encourage activities that look like boycotts should be carefully analyzed.

(1) *Waiver by contract*—Here the parties agree to do a prohibited act, and the contract protects them from the statute.

(2) *Refusal to report to work*—The law provides that it is an unfair labor practice for employees to refuse "in the course of their employment to handle boycotted goods." So an "understanding" occurs among workers and they refuse to go to work on boycotted goods.

(3) *Concerted activities*—Here the workers engage in activities which look like a boycott by a series of individual acts. The law prohibits only "concerted" activities.

(4) *Non-employees*—The definition in the law refers to secondary boycotts carried on by "employees." Any person not specifically covered by the definition of "employees" is brought into a secondary boycott activity.

(5) *Roving situs*—The theory that a strike may be extended to all the activities of a single employer, so as to involve plants and customers not concerned in the dispute—thus spreading purely local controversies. Part of the proposal dealing with secondary boycotts in the 19 amendments, would have legalized this type of boycott. I opposed that particular part.

(6) *Threats against employers*—Here we encounter the theory that a threat to engage in a secondary boycott directed against an employer is not a prohibited secondary boycott—only one threatened against employees is prohibited. There was considerable testimony in the hearings devoted to the unfairness of that theory.

(7) *Recognition boycotts*—The law prohibits a secondary boycott for purposes of recognition only where another union has been previously certified by the NLRB. The question has arisen whether that goes far enough.

(8) *Concerted activities on Construction Projects*—Here we are faced with the theory that since the various contractors and subcontractors are engaged in a common undertaking at the project site, it should be recognized as one integrated unit, and therefore should not be a prohibited secondary boycott. Some contend it is a primary strike and not a secondary boycott. I expressed doubt as to the desirability of this part of the permissive secondary boycott provision in the leaked 19 points. I am still doubtful of the wisdom of legalizing this type of boycott action.

(9) *"Farmed-out" work*—The Act as now interpreted permits concerted activities directed at work which is being "farmed-out," while employees who normally perform the work are on strike. This should be clarified so as to permit secondary boycotts of struck work which has been "farmed-out" provided there are certain safeguards. The work should be farmed-out solely because of a strike, and which has been accepted by the secondary employer with the knowledge that the employees who normally perform the work are on strike. It

Continued on page 36

Continued from page 35

The Controversial Taft-Hartley Issue

should not be in violation of a contract. Additional clarifying safeguards may be needed. I favored this third and final part of the secondary boycott amendment in the 19 provisions in the leaked message draft.

IV

National Emergency Strikes

The national emergency provisions are: when the President thinks that a threatened strike or lockout affecting an entire industry or a substantial part of an industry will affect the health and safety of the nation, he may appoint an *ad hoc* Board of Inquiry. After this Board reports back to the President, he may then direct the Attorney General to secure an injunction to prevent the strike or lockout. After 60 days, the Board of Inquiry again reports to the President the current position of the parties; the NLRB is allowed 15 days to hold a secret election on the employer's last offer, and an additional five days to certify the result. At the end of this 80-day period, the Attorney General must ask that the injunction be ended.

Many students of this problem have criticized the rigid step-by-step procedure in the present law. Some labor spokesmen have followed the line that there should be no national emergency provisions at all. I do not agree. Business witnesses recommend that this particular section of the Act either be strengthened or be allowed a trial period under a sympathetic President.

Cut and dried procedures do not lead to early settlements of troublesome disputes. I would amend the national emergency provisions so as to authorize the President to use any one of a series of alternatives, or any combination of alternatives, to deal with special circumstances of particular cases. Initially, the President should formally proclaim his interest in, and the vital character of, the threatened work stoppage. This should be sufficient in some cases.

Where the parties to the dispute do not continue production, I would allow the President to:

(1) Report the situation to Congress and ask for special legislation; or

(2) Appoint an *ad hoc* Board of Inquiry to study the dispute and report the facts; or

(3) Request the Board of Inquiry to recommend a fair and just settlement (now prohibited) under all the circumstances; or

(4) Attempt to persuade the parties to accept voluntary arbitration and provide the necessary facilities; or

(5) Direct an appropriate agency of government to take a secret ballot of the employees of each employer involved in the dispute on the question of whether they wish to accept the final offer of their employer; provided the President is convinced that such an election would lead to a prompt settlement of the dispute; or

(6) Direct the Attorney General to seek an injunction for whatever period of time may be necessary to settle the dispute. On this point, I have always believed that no injunction or restraining order should be issued without notice and a reasonable opportunity for a hearing.

The primary purpose of providing alternate methods is to obtain greater flexibility, and to keep the disputants uncertain as to the procedures that will be used. The uncertainty would have the psychological effect of having the parties settle the dispute themselves without too much government interference.

In addition to providing the President with alternative procedures, I want to change the coverage of the present law. The national emergency provision does not operate until an entire industry or a substantial portion of an industry is threatened. This is both too broad and too narrow. The primary issue is not whether or not a large number of plants are involved, but whether or not the national health and safety are imperiled. Thus a strike of an entire industry which does not truly affect national health or safety should not be subject to the national emergency provisions; but conversely, a strike in even a single plant vitally connected with the national defense logically should be covered.

I have discussed certain major area problems. Briefly, I would like to touch on a few other items.

(1) *Communism in Unions*—It is generally agreed that the present anti-Communist provisions in Taft Hartley have outlived their effectiveness. I favor the overall approach of having a special agency (trained in that type of work) determine the fact of Communist domination in any group. We should adopt procedures which would encourage and make it possible for union members to rid themselves of such leadership. Also, employers should not be required to bargain with a Communist dominated union.

(2) *Supervisors*—There has been some agitation for a clarification of the definition of "supervisor" to make it clear that "straw bosses" would not be considered as supervisors. It was never intended that they should be. One of the 19 amendments in the White House message draft attempted to clarify their status by deleting from the definition the words, "assign," "responsibly to direct them," "to adjust their grievances."

I did not oppose a clarification, although I was not convinced it was needed since it has not been interpreted that "straw bosses" are included as supervisors.

The suggested elimination of those words has created so much confusion and uncertainty that I now believe they should not be deleted from the definition. Supervisory employees are so essential to the efficient functioning of a manufacturing organization, and it is so important there be no question that they are a part of management, that I would not want to cause any uncertainty or disruption of that relationship.

(3) *Union Welfare Funds*—The important thing is that welfare funds should be supervised for the protection of the beneficiaries. I would like to see such funds supervised by State Insurance Commissions such as now exist for the regulation of various other insurance businesses. If an employer wishes to waive participation in the administration of such funds, he should be permitted to do so. Supervision by governmental authority (preferably State) is necessary and most essential; the participation of the employer is not the important factor.

Many other items have been and are being considered whenever and wherever interested parties meet and begin to talk about a labor law. Let none of us get the figure of 19 too sharply etched in our mind. There is nothing of especial significance to that figure. It just happened that when Senator Taft died the message draft from which future subtractions, additions or corrections were to be made, contained that particular number of amendments. Always bear in mind that before the task of amending Taft Hartley is completed, and ideas finally become law, there will be recommendations from the White House, a bill with amendments worked on and reported out by the labor committees of House and Senate, debate and possible additional amendments from the memberships of both bodies, adjustment of any differences, and then final consideration by the President. During this legislative process, there will be consideration of problems other than those in the leaked message draft, such items as free speech, recognition strikes, feather-bedding, etc.

It is probably quite obvious to you by this time that the entire matter is an involved and complicated one. There are honest differences of opinion to work out; there are aggressive desires on the part of some to gain their ends which have to be dealt with; there are borderline decisions to be made; and there is constantly present the emotional aspect to contend with. Those of us confronted with the task of working out a bill need your advice, help, and encouragement, and we particularly crave your forbearance.

In closing, I would like to leave these few thoughts with you. Our problems in the world today are big, complex and varied. Essentially they deal with human relations, with misery and despair, with strife and death, and with survival itself. We are seeing the revolutionary movements of backward suppressed races, of dictators on the move, and of sharp challenges to the human values of Christian living.

The future of our own way of life is involved. The preservation of our American Republic will depend on the way the President, the members of Congress, and the people themselves react to and handle some of our major emotional questions.

I have said in previous speeches that we of necessity must steer a delicate course between the authoritative action of government and the free action of individuals. Millions of fine people are anxiously watching the United States to see if a free people can discipline themselves and make a republic work.

The working out of a good labor law is one of our major tests—a tremendous challenge. It is my earnest sincere hope and prayer that we will have the patience, the courage, the wisdom and the common sense to do a good job.

Now Minor, Mee & Co.

SANTA FE, N. M.—William R. Mee and Clifford E. Minor have formed Minor, Mee & Co. with offices at 129 San Francisco Street. Mr. Mee was formerly an individual dealer in Santa Fe. Mr. Minor will be in charge of the firm's branch office at 118 Third Street, Southwest, Albuquerque.

La Salle Street Women Annual Party

CHICAGO, Ill. — The La Salle Street Women held their annual Christmas Dinner, preceded by a cocktail party on Dec. 9. Miss Joan Richardson, Glore, Forgan & Co., is President of the organization.

Wm. T. Bowler Opens

BRADFORD, Pa. — William T. Bowler has opened offices at 2 Main Street to engage in a securities business under the firm name of William T. Bowler & Company. He was formerly local manager for Hugh Johnson & Co., Inc.

With Cosgrove, Miller

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Fred B. Harry is now associated with Cosgrove, Miller & Whitehead.

Continued from first page

Eisenhower Proposes Use of Atomic Stockpile for Peace

accomplishments, I would use the office which, for the time being, I hold, to assure you that the Government of the United States will remain steadfast in its support of this body. This we shall do in the conviction that you will provide a great share of the wisdom, of the courage and the faith which can bring to this world lasting peace for all nations, and happiness and well being for all men.

Refers to Bermuda Conference

Clearly, it would not be fitting for me to take this occasion to present to you a unilateral American report on Bermuda. Nevertheless I assure you that in our deliberations on that lovely island we sought to invoke those same great concepts of universal peace and human dignity which are so cleanly etched in your Charter.

Neither would it be a measure of this great opportunity merely to recite, however hopefully, pious platitudes.

I therefore decided that this occasion warranted my saying to you some of the things that have been on the minds and hearts of my legislative and executive associates and on mine for a great many months — thoughts I had originally planned to say primarily to the American people.

I know that the American people share my deep belief that if a danger exists in the world, it is a danger shared by all—and equally that if a hope exists in the mind of one nation, that hope should be shared by all.

Finally, if there is to be advanced any proposal designed to ease even by the smallest measure the tensions of today's world, what more appropriate audience could there be than the members of the General Assembly of the United Nations.

I feel impelled to speak today in a language that in a sense is new —one which I, who have spent so much of my life in the military profession, would have preferred never to use.

That new language is the language of atomic warfare.

The atomic age has moved forward at such a pace that every citizen of the world should have some comprehension, at least in comparative terms, of the extent of this development, of the utmost significance to every one of us. Clearly, if the peoples of the world are to conduct an intelligent search for peace, they must be armed with the significant facts of today's existence.

My recital of atomic danger and power is necessarily stated in United States terms, for these are the only incontrovertible facts that I know. I need hardly point out to this Assembly, however, that this subject is global, not merely national in character.

On July 16, 1945, the United States set off the world's first atomic test explosion.

Since that day in 1945, the United States of America has conducted 42 test explosions.

Increased Power of Atomic Bombs

Atomic bombs today are more than 25 times as powerful as the weapons with which the atomic age dawned, while hydrogen weapons are in the ranges of millions of tons of TNT equivalent.

Today, the United States' stockpile of atomic weapons, which, of course, increases daily, exceeds by many times the total equivalent of the total of all bombs and all shells that came from every plane and every gun in every theatre of war through all the years of World War II.

A single air group, whether afloat or land based, can now deliver to any reachable target, a destructive cargo exceeding in power all of the bombs that fell on Britain in all of World War II.

In size and variety the development of atomic weapons has been no less remarkable. This development has been such that atomic weapons have virtually achieved conventional status within our armed services. In the United States, the Army, the Navy, the Air Force, and the Marine Corps are all capable of putting this weapon to military use.

But the dread secret and the fearful engines of atomic might are not ours alone.

In the first place, the secret is possessed by our friends and allies, Great Britain and Canada, whose scientific genius made a tremendous contribution to our original discoveries and the designs of atomic bombs.

The secret is also known by the Soviet Union.

The Soviet Union has informed us that, over recent years, it has devoted extensive resources to atomic weapons. During this period, the Soviet Union has exploded a series of atomic devices including at least one involving thermo-nuclear reactions.

If at one time the United States possessed what might have been called a monopoly of atomic power, that monopoly ceased to exist several years ago. Therefore, although our earlier start has permitted us to accumulate what is today a great quantitative advantage, the atomic realities of today comprehend two facts of even greater significance.

First, the knowledge now possessed by several nations will eventually be shared by others, possibly all of them.

Second, even a vast superiority in numbers of weapons, and a consequent capability of devastating retaliation, is no preventive, of itself, against the fearful material damage and toll of human lives that would be inflicted by surprise aggression.

The free world, at least dimly aware of the facts, has naturally embarked on a large program of warning and defense systems. That program will be accelerated and expanded.

But let no one think that the expenditure of vast sums for weapons and systems of defense can guarantee absolute safety for the cities and citizens of any nation. The awful arithmetic of the atomic bomb does not permit of any such easy solution. Even against the most powerful defense, an aggressor in possession of the effective minimum number of atomic bombs for a surprise attack could probably place a sufficient number of his bombs on the chosen targets to cause hideous damage.

U. S. Reactions to Atomic Attack

Should such an atomic attack be launched against the United States, our reactions would be swift and resolute. But for me to say that the defense capabilities of the United States are such that they could inflict terrible losses upon an aggressor—for me to say that the retaliation capabilities of the United States are so great that such an aggressor's land would be laid waste — all this, while fact, is not the true expression of the purpose and the hope of the United States.

To pause there would be to confirm the hopeless finality of a

belief that two atomic collossi are doomed malevolently to eye each other indefinitely across a trembling world. To stop there would be to accept helplessly the probability of civilization destroyed—the annihilation of the irreplaceable heritage of mankind handed down to us from generation to generation — and the condemnation of mankind to begin all over again the age-old struggle upward from savagery toward decency, right, and justice.

Surely no sane member of the human race could discover victory in such desolation. Could anyone wish his name to be coupled by history with such human degradation and destruction.

Occasional pages of history do record the faces of the "Great Destroyers" but the whole book of history reveals mankind's never-ending quest for peace and mankind's God-given capacity to build.

It is with the book of history, and not with isolated pages, that the United States will ever wish to be identified. My country wants to be constructive, not destructive. It wants agreements, not wars, among nations. It wants itself to live in freedom and in the confidence that the people of every other nation enjoy equally the right of choosing their own way of life.

So my country's purpose is to help us move out of this dark chamber of horrors into the light, to find a way by which the minds of men, the hopes of men, the souls of men everywhere, can move forward toward peace and happiness and well being.

In this quest, I know that we must not lack patience.

I know that in a world divided, such as ours today, salvation cannot be attained by one dramatic act.

I know that many steps will have to be taken over many months before the world can look at itself one day and truly realize that a new climate of mutually peaceful confidence is abroad in the world.

Must Act Now

But I know, above all else, that we must start to take these steps —NOW.

The United States and its allies, Great Britain and France, have over the past months tried to take some of these steps. Let no one say that we shun the conference table.

On the record has long stood the request of the United States, Great Britain, and France, to negotiate with the Soviet Union the problems of a divided Germany.

On that record has long stood the request of the same three nations to negotiate an Austrian State Treaty.

On the same record still stands the request of the United Nations to negotiate the problems of Korea.

Most recently, we have received from the Soviet Union what is in effect an expression of willingness to hold a Four Power Meeting. Along with our allies, Great Britain and France, we were pleased to see that this note did not contain the unacceptable preconditions previously put forward.

Will Meet With Russia

As you already know from our joint Bermuda communique, the United States, Great Britain and France have agreed promptly to meet with the Soviet Union.

The Government of the United States approaches this conference with hopeful sincerity. We will bend every effort of our minds to the single purpose of emerging from that conference with tangible results toward peace — the only true way of lessening international tension.

We never have, we never will, propose or suggest that the Soviet Union surrender what is rightfully theirs.

We will never say that the peoples of Russia are an enemy with whom we have no desire ever to deal or mingle in friendly and fruitful relationship.

On the contrary, we hope that this Conference may initiate a relationship with the Soviet Union which will eventually bring about a free inter-mingling of the peoples of the East and the West—the one sure, human way of developing the understanding required for confident and peaceful relations.

Instead of the discontent which is now settling upon Eastern Germany, occupied Austria, and the countries of Eastern Europe, we seek a harmonious family of free European nations, with none a threat to the other, and least of all a threat to the peoples of Russia.

Beyond the turmoil and strife and misery of Asia, we seek peaceful opportunity for these peoples to develop their natural resources and to elevate their lot.

These are not idle words or shallow visions. Behind them lies a story of nations lately come to independence, not as a result of war, but through free grant or peaceful negotiation. There is a record already written of assistance gladly given by nations of the west to needy peoples and to those suffering the temporary effects of famine, drought, and natural disaster.

These are deeds of peace. They speak more loudly than promises or protestations of peaceful intent.

But I do not wish to rest either upon the reiteration of past proposals or the restatement of past deeds. The gravity of the time is such that every new avenue of peace, no matter how dimly discernible, should be explored.

UN — Avenue to Peace

There is at least one new avenue of peace which has not yet been well explored — an avenue now laid out by the General Assembly of the United Nations.

In its resolution of Nov. 18, 1953, this General Assembly suggested — and I quote — "that the Disarmament Commission study the desirability of establishing a sub-committee consisting of representatives of the powers principally involved, which should seek, in private, an acceptable solution —and report such a solution to the General Assembly and to the Security Council not later than Sept. 1, 1954."

The United States, heeding the suggestion of the General Assembly of the United Nations, is instantly prepared to meet privately with such other countries as may be "principally involved," to seek "an acceptable solution" to the atomic armaments race which overshadows not only the peace, but the very life, of the world.

We shall carry into these private or diplomatic talks a new conception.

The United States would seek more than the mere reduction or elimination of atomic materials available for military purposes.

It is not enough just to take this weapon out of the hands of the soldiers. It must be put into the hands of those who will know how to strip its military casing and adapt it to the arts of peace.

The United States knows that if the fearful trend of atomic military buildup can be reversed, this greatest of destructive forces can be developed into a great boon, for the benefit of all mankind.

The United States knows that peaceful power from atomic energy is no dream of the future. That capability, already proved, is here — now — today. Who can doubt, if the entire body of the world's scientists and engineers had adequate amounts of fissionable material with which to test and develop their ideas, that this capability would rapidly be transformed into universal, efficient, and economic usage.

To hasten the day when fear of the atom will begin to disappear from the minds of the people and the governments of the East and West, there are certain steps that can be taken now.

President's Proposals

I, therefore, make the following proposal:

The governments principally involved, to the extent permitted by elementary prudence, to begin now and continue to make joint contributions from their stockpiles of normal uranium and fissionable materials to an International Atomic Energy Agency. We would expect that such an agency would be set up under the aegis of the United Nations.

The ratios of contributions, the procedures and other details would properly be within the scope of the "private conversations" I have referred to earlier.

The United States is prepared to undertake these explorations in good faith. Any partner of the United States acting in the same good faith will find the United States a not unreasonable or ungenerous associate.

Undoubtedly initial and early contributions to this plan would be small in quantity. However, the proposal has the great virtue that it can be undertaken without irritations and mutual suspicions incident to any attempt to set up a completely acceptable system of world-wide inspection and control.

The Atomic Energy Agency could be made responsible for the impounding, storage and protection of the contributed fissionable and other materials. The ingenuity of our scientists will provide special safe conditions under which such a bank of fissionable material can be made essentially immune to surprise seizure.

The more important responsibility of this Atomic Energy Agency would be to devise methods whereby this fissionable material would be allocated to serve the peaceful pursuits of mankind. Experts would be mobilized to apply atomic energy to the needs of agriculture, medicine, and other peaceful activities. A special purpose would be to provide abundant electrical energy in the power-starved areas of the world. Thus the contributing powers would be dedicating some of their strength to serve the needs rather than the fears of mankind.

The United States would be more than willing—it would be proud to take up with others "principally involved" the development of plans whereby such peaceful use of atomic energy would be expedited.

Of those "principally involved" the Soviet Union must, of course, be one.

I would be prepared to submit to the Congress of the United States, and with every expectation of approval, any such plan that would:

First — Encourage world-wide investigation into the most effective peacetime uses of fissionable material, and with the certainty that they had all the material needed for the conduct of all experiments that were appropriate;

Second—Begin to diminish the potential destructive power of the world's atomic stockpiles;

Third—Allow all peoples of all nations to see that, in this enlightened age, the great powers of the earth, both of the East and of the West, are interested in human aspirations first rather than in building up the armaments of war;

Fourth—Open up a new channel for peaceful discussion and initiate at least a new approach to the many difficult problems that must be solved in both private and public conversations if the world is to shake off the inertia imposed by fear and make positive progress toward peace.

Against the dark background of the atomic bomb, the United States does not wish merely to present strength, but also the desire and hope for peace.

The coming months will be fraught with fateful decisions. In this Assembly; in the capitals and military headquarters of the world; in the hearts of men everywhere, be they governed or governors, may they be the decisions which will lead this world out of fear and into peace.

To the making of these fateful decisions, the United States pledges before you—and therefore before the world—its determination to help solve the fearful atomic dilemma — to devote its entire heart and mind to find the way by which the miraculous inventiveness of man shall not be dedicated to his death, but consecrated to his life.

Securities Salesman's Corner

By JOHN DUTTON

The New Instalment Plan Has Many Flaws!

In its desire to increase business through better merchandising tactics the New York Stock Exchange has announced a plan whereby small investors can purchase stocks listed on the Exchange on the instalment plan. Small monthly purchases can be made by anyone who desires to do so, credits will be given for fractional shares and the project is now being given quite a bit of publicity in the press, etc.

Selling individual stocks to people who can only buy a few dollars worth a month may have its laudable aspects but there are dangers involved. First of all, many people who know nothing about investing may start out to buy ten shares of a speculative stock, or even an investment grade stock. By the time they pay for the ten shares the company may be in difficulties, dividends may be reduced or omitted, the stock may decline seriously in value. This plan of selling stocks in such a manner violates the very first fundamental of sound investment procedure; that of diversification. The people who are going to be encouraged to buy a few shares of stock on the instalment plan, by making small monthly payments, are not going to be the ones who will take kindly to any plan that might work out unsatisfactorily for them—and this one is full of pitfalls in this respect.

Common stocks are not something that inexperienced people can buy just the same way as they go into the drug store and purchase a bar of soap. Investment is still a personalized matter, and in order to obtain a fair income and preserve capital over a period of years you have to select the right investments and time your purchases properly. Dollar averaging on ten-share orders, in my opinion, will not solve the timing problem, especially if after that ten shares has been purchased by the customer he again starts picking up ten shares of some other stock.

The idea of encouraging uninitated individuals who don't know the difference between a common stock and a convertible preferred (and there are millions of them) to go into the market and buy this stock and that one, without a plan or a program of investment may hurt the Stock Exchange more than it will help it. I hope not but it is a possibility. If the past record of fluctuations of common stock prices is any criterion there may be a substantial decline in the market value of listed stocks some day. People who buy into the market at the top of a great boom like we are having now may get mighty sore some day if we have a little depression again—say one that took the Dow Industrials down to 180 or 200. I don't say we'll have it—but we could. We've not repealed the law of boom and bust yet as far as any one can guarantee it, and the Stock Exchange is not going to guarantee that either. If another million little fellows get caught with some high priced stocks—blue chip or not—that won't help the investment business in this country.

No customer's representative or salesman is going to waste his time explaining an investment program to a customer who can only invest a few dollars a month. First of all you can't set up an investment program with such paltry sums. If any one can show me how to do that I'll be glad to take that statement back and try it myself. But I still don't think that the kind of uninformed stock buyers who are going to try this instalment plan will make very profitable accounts for any capable salesman or customer's representative. If I were doing it I'd take what business came along and that was that. If a customer wanted to buy five shares of Telephone on the instalment plan and it didn't take an hour of my time to explain the whys, wherefores, and buts, I'd write up the order. But I don't think you'll find many men in the retail end of the investment business who are enjoying a substantial commission income today who will waste their time on these orders. Time is too valuable—at least it is where I come from.

My prediction is that this instalment plan will some day be abandoned as unworkable—if not it won't amount to much. I hope I am wrong because I'd like to see it work out advantageously for everyone — but it looks unsound to me.

Merrill Lynch Group Sell New England Electric Shares

A group of underwriters, headed by Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly) and including Bache & Co., Estabrook & Co. and Laurence M. Marks & Co., on Dec. 9 publicly offered 125,000 shares of common stock (par $1) of New England Electric System at $14 per share. The offering was quickly oversubscribed.

The net proceeds are to go to International Hydro-Electric System.

Kay, Richards Co. to Admit New Partners

PITTSBURGH, Pa.—Kay, Richards & Co., Union Trust Building, members of the New York and Pittsburgh Stock Exchanges, on Jan. 1 will admit J. Edgar Williams and William C. Baird to general partnership, and Robert B. Parker to limited partnership in the firm.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Dudley H. Mudge has been added to the staff of Bache & Co., 96 Northeast 2nd Avenue.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Amalgamated Growth Industries, Inc.
Sept. 28 (letter of notification) 149,999 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For acquisition of patents, etc., and for new equipment and working capital. **Office**—11 West 42nd St., New York City. **Underwriter**—R. A. Keppler & Co., Inc., New York, N. Y.

American Development Corp. (Del.)
Nov. 16 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—$14,500 to be paid to Commonwealth Research Corp. in accordance with agreement; $20,000 for drilling and testing one well on the North Carolina acreage; $50,000 reserve for drilling three additional wells; and the remainder for working capital, etc. **Office**—317-325 South State St., Dover, Del. **Underwriter**—Walter Aronheim, New York City.

American Diamond Mining Corp.
Nov. 6 (letter of notification) 260,000 shares of common stock (par $1). **Price**—$1.15 per share. **Proceeds**—To explore and develop the Murfreesboro, Pike County, Ark., property and for general corporate purposes. **Office**—99 Wall St., New York 5, N. Y. **Underwriter**—Samuel W. Gordon & Co., Inc., New York, N. Y.

American-Israeli Cattle Corp., Beverly Hills, Cal.
Aug. 24 filed 100,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—To establish and develop a cattle industry in Israel. **Underwriter**—None.

Anacon Lead Mines, Ltd., Toronto, Canada
Sept. 28 filed 700,000 shares of common stock (par 20 cents—Canadian funds) to be offered for subscription by common stockholders at the rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—To develop mining properties. **Underwriter**—None. Financing proposal has not been dropped.

★ Anderson-Farmer Corp., Toledo, Ohio
Nov. 30 (letter of notification) 500 shares of preferred stock (to cover option filed by The Andersons and also part being offered to the public). **Price**—At par ($100 per share. **Proceeds**—For working capital. **Office**—1044 Hanson St., Toledo, Ohio. **Underwriter**—None.

★ (The) Andersons, Maumee, Ohio
Nov. 30 (letter of notification) $250,000 of 4% 10-year bonds (in multiples of $100) to be issued on the basis of a $100 bond to each patron who has received at least $100 in credit from The Andersons, and additional bonds in multiples of $100 to any patron who has received $200 or more. Each patron will be given the option of receiving one preferred share of Anderson-Farmer Corp. for each $100 in credits, in lieu of the bond. **Office**—Illinois Ave., Maumee, Ohio. **Proceeds**—For working capital. **Underwriter**—None.

★ Appalachian Electric Power Co. (1/11)
Dec. 9 filed $20,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co., Inc. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on Jan. 11.

Armstrong Rubber Co.
March 31 filed $4,000,000 of 5% convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment **Proceeds**—For working capital. **Business**—Manufacturer of tires and tubes. **Underwriter**—Reynolds & Co., New York. **Offering**—Postponed.

• Armstrong Rubber Co. (12/14)
Nov. 27 (letter of notification) 1,000 shares of class A common stock (no par). **Price**—$21 per share. **Proceeds**—To James A. Walsh, the selling stockholder. **Underwriter**—Gruntal & Co., New Haven, Conn.

★ Arwood Precision Casting Corp., Brooklyn, N. Y.
Dec. 3 (letter of notification) 10,000 shares of common stock (no par) to be offered for subscription by stockholders up to March 31, 1954. **Price**—$20 per share. **Proceeds**—To retire approximately $80,000 of 10-year 4% debentures due 1961, for expansion program, new equipment and working capital. **Office**—70 Washington St., Brooklyn 1, N. Y. **Underwriter**—None.

Atomic Development Mutual Fund, Inc.
Nov. 18 filed 90,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter**—Atomic Development Securities Co., Washington, D. C.

★ Big Bear Markets of Michigan, Inc.
Dec. 3 (letter of notification) 4,000 shares of common stock (par $1) to be issued to certain employees as compensation for services and/or to sell shares to such employees. **Price**—At market. **Proceeds**—For general corporate purposes. **Office**—12600 Greenfield Road, Detroit, Mich. **Underwriter**—None.

Boren Oil & Gas Corp., Wichita Falls, Tex.
Nov. 11 (letter of notification) 748,000 shares of common stock (par 10 cents). **Price** — 40 cents per share. **Proceeds**—For working capital, etc. **Office**—Oil & Gas Bldg., Wichita Falls, Tex. **Underwriters**—Hunter Securities Corp., New York, and N. R. Real, Nutley, N. J.

Bridgeport Gas Light Co.
Nov. 12 filed 60,500 shares of 5.28% cum. convertible preferred stock, being offered for subscription by common stockholders at rate of one preferred share for each three common shares held as of Nov. 27; rights to expire on Dec. 22. **Price** — At par ($25 per share). **Proceeds** — For construction program. **Underwriters**—Smith, Ramsey & Co., Inc., Bridgeport, Conn., and Chas. W. Scranton & Co., New Haven, Conn.

★ Butane-Propane Service, Inc., Holyoke, Colo.
Nov. 30 (letter of notification) 2,000 shares of 6% preferred stock. **Price**—At par ($100 per share). **Proceeds**—To purchase and install IPG gas storage meters and for working capital. **Underwriter**—None.

California Central Airlines, Inc.
Nov. 5 filed $600,000 of 7% convertible equipment trust certificates, series A, and 890,000 shares of common stock (par 50 cents), of which the certificates and 400,000 shares of the stock are to be offered publicly; 300,000 shares are to be sold to the underwriter (including 50,000 shares to one James Wooten), 70,000 shares to Sig Shore, 70,000 shares to Fred Miller and 50,000 shares to James Wooten. **Price**—To public—100% for certificates and 75 cents per share for the stock. **Proceeds**—To finance the acquisition of four Martinliners and one Douglas DC-3 aircraft from Airline Transport Carriers, Inc. **Underwriter**—Gearhart & Otis, Inc., New York.

Carolina Telephone & Telegraph Co.
Aug. 17 filed 33,320 shares of capital stock to be offered for subscription by stockholders in the ratio of one new share for each five shares held. **Price**—At par ($100 per share). **Proceeds**—To reduce short-term notes. **Underwriter**—None. **Offering**—Temporarily postponed.

Century Acceptance Corp.
Oct. 16 (letter of notification) 10,000 shares of class A common stock (par $1) and 5,000 shares of class B stock (par $1). **Price**—Of class A, $2.50 per share; of class B, $1.90 per share. **Proceeds**—To Robert F. Brozman, the selling stockholder. **Office**—1334 Oak St., Kansas City, Mo. **Underwriter**—Wahler, White & Co., Kansas City, Mo.

★ Cherokee Industries, Inc., Oklahoma City, Okla.
Dec. 3 filed 5,000,000 shares of class B non-voting common stock (par one cent). **Price**—$1 per share. **Proceeds**—To construct mill. **Underwriter**—None.

• Cincinnati & Suburban Bell Telephone Co.
Nov. 6 filed 312,812 shares of common stock being offered for subscription by common stockholders of record Nov. 27 on a 1-for-3 basis; rights to expire Jan. 8. **Price**—At par ($50 per share). **Proceeds**—To reimburse treasury for expenditures made for extensions, additions and improvements to plant. **Underwriter**—None.

★ Coleman Co., Inc., Wichita, Kan.
Dec. 2 (letter of notification) 1,200 shares of common stock (par $5). **Price**—$28 per share. **Proceeds**—To selling stockholder. **Office**—250 No. St. Francis Ave., Wichita, Kan. **Underwriter**—James E. Bennett & Co., Chicago, Ill.

Commercial Discount Corp., Chicago, Ill.
Nov. 23 (letter of notification) 3,500 shares of $3.50 prior preferred stock. **Price**—At par ($50 per share). **Proceeds**—For working capital. **Office**—105 W. Adams St., Chicago 3, Ill. **Underwriters** — Julien Collins & Co. and Cruttenden & Co., both of Chicago; and The First Trust Co. of Lincoln, Neb.

★ Consolidated Edison Co. of N. Y., Inc. (1/6)
Dec. 2 filed $35,000,000 first and refunding mortgage bonds, series J, due Jan. 1, 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received Jan. 6.

★ Consumers Power Co., Jackson, Mich. (1/6)
Dec. 3 filed 679,436 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 7, 1954 on the basis of one new share for each 10 shares held; rights to expire on Jan. 22. Unsubscribed shares will be offered first to employees. **Price**—To be determined by the company and announced on Jan. 4. **Proceeds**—For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly); Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 6 at 20 Pine St., New York, N. Y.

Cosmo Oil Co., Denver, Colo.
Oct. 7 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and working capital. **Office** — 922 Equitable Bldg., Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

★ Crystal River Trucking Co., Denver, Colo.
Dec. 4 (letter of notification) 15,000 shares of common stock (par $1). **Proceeds** — For trucks and equipment. **Address**—P. O. Box 7772, Denver 15, Colo. **Underwriter**—None.

Cuban American Minerals Corp., Washington, D.C.
Oct. 6 (letter of notification) 6,000 certificates of participation. **Price**—At par (in units of $50 each). **Proceeds** — For general corporate purposes. **Office** — 439 Wyatt Bldg., Washington, D. C. **Underwriter**—James T. De Witt & Co., Inc., Washington, D. C.

NEW ISSUE CALENDAR

December 10 (Thursday)
Erie RR. .... **Equip. Trust Ctfs.**
(Bids noon EST) $5,400,000
Philadelphia Electric Co. .... **Bonds**
(Bids 11 a.m. EST) $20,000,000

December 11 (Friday)
Dealers Discount Corp. .... **Common**
(G. H. Crawford Co., Inc.) $118,825
House of Better Vision, Inc. .... **Common**
(Curlette & Co., Inc.) $299,500
Oil Financing & Development Corp. ... **Pfd. & Com.**
(East Coast Securities Corp.) $299,860

December 14 (Monday)
Armstrong Rubber Co. .... **Class A Common**
(Gruntal & Co.) $21,000
Continental Transportation Lines .... **Common**
(Shields & Co.) 250,000 shares
Lamston (M. H.), Inc. .... **Common**
(Offering to stockholders—underwritten by Childs, Jeffries & Thorndike, Inc.) $49,065
Titanium Ores Corp. .... **Common**
(Mitchell Securities, Inc.) $300,000

December 15 (Tuesday)
Fruehauf Trailer Co. .... **Debentures**
(Lehman Brothers and Watling, Lerchen & Co.) $10,000,000
Texas Natural Gasoline Co. .... **Common**
(Carl M. Loeb, Rhoades & Co. and Dallas Rupe & Son) 209,000 shares
Trad Television Corp. .... **Common**
(Tellier & Co.) $300,000
Western Maryland Ry. .... **Equip. Trust. Ctfs.**
(Bids 1 p.m. EST) $4,830,000

December 16 (Wednesday)
Lewiston, Greene & Monmouth Telephone Co. .... **Common**
(F. S. Moseley & Co.) $121,360
Narragansett Electric Co. .... **Preferred**
(Bids noon EST) $7,500,000

December 17 (Thursday)
Chicago, Milwaukee St. Paul & Pacific RR. .... **Equip. Trust Ctfs.**
(Bids noon CST) $7,650,000
Union Wire Rope Corp. .... **Common**
(P. W. Brooks & Co., Inc.) 21,000 shares

December 18 (Friday)
Saaty Fuel Injector Corp. .... **Common**
(d'Avigdor Co.) $250,000

December 28 (Monday)
Fluor Corp., Ltd. .... **Common**
(William R. Staats & Co.) 100,000 shares

January 5 (Thursday)
Montreal (City of) .... **Debentures**
(Bids to be invited) $22,854,000

January 6 (Wednesday)
Consolidated Edison Co. of New York, Inc. ... **Bonds**
(Bids to be invited) $35,000,000
Consumers Power Co. .... **Common**
(Offering to stockholders—bids 11 a.m. EST) 679,436 shares

January 11 (Monday)
Appalachian Electric Power Co. .... **Bonds**
(Bids 11 a.m. EST) $20,000,000

January 12 (Tuesday)
Public Service Co. of Indiana, Inc. .... **Bonds**
(Bids to be invited) $25,000,000

January 13 (Wednesday)
Ohio Edison Co. .... **Common**
(Offering to stockholders—bids to be invited) 527,830 shs.

January 18 (Monday)
Fire Association of Philadelphia .... **Common**
(Offering to stockholders—The First Boston Corp. will act as advisors) $7,650,000

January 19 (Tuesday)
Ohio Edison Co. .... **Bonds**
(Bids to be invited) $30,000,000

Dallas Power & Light Co., Dallas, Tex.
Nov. 23 (letter of notification) 672 shares of common stock (no par) to be offered for subscription by minority stockholders on basis of one new share for each 10 shares held. **Price**—$130 per share. **Proceeds** — For new construction. **Office**—1506 Commerce St., Dallas, Tex. **Underwriter**—None.

• Dealers Discount Corp. (12/11)
Nov. 25 (letter of notification) 23,765 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital. **Office**—105 Exchange St., Darlington, S. C. **Underwriter**—G. H. Crawford Co., Inc., Columbus, S. C.

Delaware Power & Light Co.
Oct. 28 filed 232,520 shares of common stock (par $13.50) being offered for subscription by common stockholders of record Nov. 25 on the basis of one new share for each seven shares held; rights to expire on Dec. 15. Employees will receive rights to subscribe for up to 150 shares each. **Price**—$24 per share. **Proceeds**—For construction program. **Underwriters**—W. C. Langley & Co. and Union Securities Corp. (jointly).

★ Dorr Co. (Del.), Stamford, Conn.
Nov. 27 (letter of notification) not exceeding in the aggregate 1,863 shares of preferred stock to be issued to employees in payment of additional compensation (in lieu of cash). **Price**—At par ($50 per share). **Proceeds**—For working capital and other general corporate purposes. **Office**—Barry Place, Stamford, Conn. **Underwriter**—None.

Farm & Home Loan & Discount Co., Phoenix, Ariz.
Nov. 9 filed 863,230 shares of class A common stock, 858,186 shares of class B common stock and 1,000,000 shares of class C common stock. **Price**—25 cents, 35 cents and 50 cents, respectively. **Proceeds**—For working capital. **Underwriter**—None.

★ Farrington Manufacturing Co., Boston, Mass.
Dec. 3 (letter of notification) 15,000 shares of class A common stock (par $10). **Price**—At market (estimated at $13.25 per share). **Proceeds**—For working capital. **Office**—76 Atherton St., Boston 30, Mass. **Underwriter**—Chace, Whiteside, West & Winslow, Inc., Boston, Mass.

• Federal Pipe & Foundry Co. (N. J.)
Nov. 16 (letter of notification) 39,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For purchase of land and machinery, to erect buildings and for working capital. **Underwriter**—A. Kalb & Co., 325 Market St., Trenton, N. J.

★ First Investors Corp., New York
Dec. 6 filed an unspecified number of shares to be offered under Single Payment Plans and Periodic Payment Plans for the accumulation of shares of Wellington Fund, Inc. **Underwriter**—None.

Florida Western Oil Co.
Nov. 6 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling test well. **Office**—803 N. Calhoun St., Tallahassee, Fla. **Underwriter** — Floyd D. Cerf, Jr., Co., Inc., Miami, Fla.

★ Fluor Corp., Ltd., Los Angeles, Calif. (12/28)
Dec. 7 filed 100,000 shares of capital stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Construction of plants for the oil, gas, chemical and power industry. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

• Fruehauf Trailer Co. (12/15)
Nov. 23 filed $10,000,000 of convertible subordinated debentures due Dec. 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To retire short-term indebtedness and to increase working capital. **Underwriters**—Lehman Brothers, New York; and Watling, Lerchen & Co., Detroit, Mich.

General Acceptance Corp.
Nov. 10 (letter of notification) 12,000 shares of $1.50 series preferred stock (no par) being offered in exchange for 30,000 shares of $10 par 6% cumulative sinking fund preferred stock of Universal Finance Corp., Omaha, Neb., on the basis of one General Acceptance share for each 2½ Universal shares. This offer will expire on Dec. 21. **Office**—949 Hamilton St., Allentown, Pa. **Underwriter**—None.

★ General Finance Co., Phoenix, Ariz.
Dec. 3 (letter of notification) 187,500 shares of class A common stock (par $1). **Price**—$1.60 per share. **Proceeds** — For working capital. **Office** — 1436 East Van Buren St., Phoenix, Ariz. **Underwriter**—James H. Van Buskirk.

General Hydrocarbons Corp.
Aug. 12 filed $1,010,800 of 20-year debentures and 66,424 shares of common stock (par $1) to be offered in units of $350 principal amount of debentures and 23 shares of stock. **Price**—$359 per unit ($336 for the debentures and $1 per share for the stock). **Proceeds**—For general corporate purposes. **Business** — Oil and gas development. **Underwriter**—None. **Office**—Oklahoma City, Okla.

★ General Tire & Rubber Co.
Dec. 7 filed employees' stock purchase plan of company and certain of its subsidiaries participating in the plan.

★ Gerico Investment Co., Fort Lauderdale, Fla.
Dec. 1 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To complete construction of TV station. **Office**—300 E. Las Olas Blvd., Fort Lauderdale, Fla. **Underwriter**—None.

Greenwich Gas Co., Greenwich, Conn.
Nov. 12 filed 75,468 shares of common stock (no par) to be first offered for subscription by the holders of the 89,333 shares presently outstanding; then to public. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with proceeds from private sale of $200,000 of series A bonds, to be used to repay bank loans and for construction program. **Underwriter**—F. L. Putnam & Co., Inc., Hartford, Conn.

Greyhound Parks of Alabama, Inc., Phoenix, Ariz.
Oct. 21 filed $400,500 of 6% 10-year cumulative income debentures, due Oct. 1, 1962, and 40,050 shares of common stock (no par) to be offered in units of four debentures of $250 principal amount each and 100 shares of stock. **Price**—$1,100 per unit. **Proceeds**—To rehabilitate and construct racing plant in Tucson, Ariz. **Business**—Dog racing with pari-mutuel betting privileges. **Underwriter**—None.

★ Guardian Chemical Corp.
Nov. 30 (letter of notification) 52,500 shares of common stock (par 10 cents) to be issued to warrant holders. **Price**—$2.37½ per share. **Proceeds**—To selling stockholders. **Office**—10-15 43rd Ave., Long Island City, N. Y. **Underwriter**—Batkin & Co., New York.

Gulf Sulphur Corp., North Kansas City, Mo.
Oct. 27 filed 700,000 shares of convertible preferred and participating stock (par 10 cents). **Price**—$10 per share. **Proceeds**—To develop company concessions. **Underwriter**—Peter Morgan & Co., New York.

• House of Better Vision, Inc., Miami, Fla. (12/11)
Nov. 25 (letter of notification) 299,500 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—268 E. Flagler St., Miami, Fla. **Underwriter**—Curlette & Co., Inc., Miami, Fla.

Hydrocap Eastern, Inc., Philadelphia, Pa.
Oct. 30 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay debt and for working capital, etc. **Underwriter**—Barham & Co., Coral Gables, Fla.

★ International Soya Corp., New York
Dec. 4 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For organization and development expenses for purchase of license from Soya Corp. of America and for working capital, etc. **Office**—Suite 1515, 30 Rockefeller Plaza, New York 20, N. Y. **Underwriter**—None.

• Ionics, Inc., Cambridge, Mass.
June 30 filed 131,784 shares of common stock (par $1). **Price**—To be supplied by amendment (between $8 and $9 per share). **Proceeds**—To pay mortgage debt and for equipment. **Business** — Research and development and subsequent commercial exploitation in the field of ion exchange chemistry. **Underwriter**—Lee Higginson Corp., New York and Boston (Mass.). **Withdrawal**—The registration statement was withdrawn as of Nov. 16, 1953.

Israel Enterprises, Inc., New York
Oct. 1 filed 18,800 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For investment in existing industrial enterprises in Israel. **Underwriter**—None.

Jamaica Water Supply Co.
Nov. 18 (letter of notification) approximately $200,000 aggregate market value of common stock (no par). **Price**—At market. **Proceeds**—Together, with other funds, to repay bank loans totaling $2,000,000. **Underwriter**—Blyth & Co., Inc., New York.

Jasper Oil Corp., Montreal, Quebec, Canada
Oct. 28 filed 550,000 shares of common stock (par $1—Canadian). **Price**—$3 per share. **Proceeds**—For expansion and exploration and development expenses. **Underwriter**—Globe Securities Corp., Ltd., Montreal, Canada.

★ Kansas Oil Co., Inc., New York City
Dec. 1 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To selling stockholder. **Office**—50 Broadway, New York, N. Y. **Underwriter**—B. G. Phillips & Co., New York.

Kay Jewelry Stores, Inc., Washington, D. C.
Sept. 28 filed 672,746 shares of capital stock (par $1) to be offered in exchange for preferred and common stocks of 71 store corporations which operate 83 retail credit jewelry stores. **Underwriter**—None.

Keene & Co., Inc. (N. Y.)
Nov. 10 (letter of notification) 10,000 shares of 6% cumulative preferred stock (par $10) and 5,000 shares of common stock (par 10 cents) to be offered in units of two shares of preferred and one share of common stock. **Price**—$21 per share. **Proceeds**—For working capital. **Business**—To deal in listed and over-the-counter securities. **Office**—80 Wall St., New York, N. Y. **Underwriter**—None.

★ Keystone Custodian Funds, Inc.
Dec. 2 filed 250,000 shares of Keystone Custodian Fund, series K-2. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Lamston (M. H.), Inc., New York (12/14)
Nov. 30 (letter of notification) 8,533 shares of common stock (par $1) to be offered to common stockholders of record Nov. 27 at rate of one new share for each 16 shares held (with an oversubscription privilege). Rights will expire on Dec. 24. **Price**—$5.75 per share. **Proceeds**—For working capital. **Office**—25 East 26th St., New York, N. Y. **Underwriter**—Childs, Jeffries & Thorndike, Inc., New York.

Lewiston, Greene & Monmouth Telephone Co., Winthrop, Me. (12/16)
Nov. 6 (letter of notification) 12,136 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To pay indebtedness. **Underwriter**—F. S. Moseley & Co., Boston, Mass.

MacKinnon's, Inc., Seattle, Wash.
Nov. 24 (letter of notification) $100,000 of 6% 10-year convertible coupon debentures due Jan. 1, 1964. **Price**—At par (in denominations of $500 and $1,000 each). **Proceeds** — For working capital. **Office** — 127th St. and Bothell Way, Seattle 55, Wash. **Underwriter**—First Washington Corp., Seattle, Wash.

Manheim (Pa.) Water Co.
Oct. 28 (letter of notification) $125,000 of 4¾% first mortgage bonds, series A, dated Oct. 31, 1953, and due Oct. 31, 1978, to be offered to residents of Pennsylvania. **Price**—100% and accrued interest. **Proceeds**—For part payment of installation of a new water filtration plant. **Underwriter**—None.

Midland Uranium, Inc., Salt Lake City, Utah
Nov. 23 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For drilling and prospecting. **Office**—504 Felt Bldg., Salt Lake City, Utah. **Underwriter**—Harrison S. Brothers & Co., Salt Lake City, Utah.

• Montreal (City of) (1/5)
Nov. 19 filed $14,854,000 of series 1953 debentures for local improvements and $8,000,000 of series 1953 debentures for public works. **Price**—To be supplied by amendment. **Proceeds**—For improvements, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders may include: Shields & Co., Savard & Hart and Halsey, Stuart & Co. Inc. (jointly); Kuhn, Loeb & Co. and Glore, Forgan & Co. (jointly); Lehman Brothers; White, Weld & Co.; Smith, Barney & Co.; The First Boston Corp. **Bids**—Not expected until after Jan. 1, 1954.

Mutual Finance Co., Tampa, Fla.
Nov. 24 (letter of notification) $300,000 of 10-year 6% convertible subordinated debentures, series A. **Price**—At par. **Proceeds**—For investmnet capital. **Office**—Wallace S. Building, Tampa, Fla. **Underwriter** — Louis C. McClure & Co., Tampa, Fla.

• Narragansett Electric Co. (12/16)
Nov. 12 filed 150,000 shares of cumulative preferred stock (par $50). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Harriman Ripley & Co. Inc. (jointly); White, Weld & Co.; Lehman Brothers and Goldman, Sachs & Co. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to noon (EST) on Dec. 16 at Room 516, 49 Westminster St., Providence 1, R. I. Exact time will be fixed by company 42 hours in advance.

Nevada Tungsten Corp., Mina, Nev.
Oct. 22 (letter of notification) 1,000,000 shares of common stock to be offered to stockholders. **Price**—Five cents per share. **Proceeds**—For working capital. **Underwriter**—None.

Newport Electric Corp., Newport, R. I.
Nov. 6 (letter of notification) 5,955 shares of common stock (par $20) being offered to common stockholders on basis of one new share for each ten shares held on Nov. 27; rights to expire on Dec. 14. **Price** — $31.50 per share. **Proceeds**—To finance construction. **Office**—159 Thames St., Newport, R. I. **Underwriter**—Stone & Webster Securities Corp., Providence, R. I.

• North American Acceptance Corp.
Nov. 20 (letter of notification) 50,000 shares of 35-cent cumulative convertible preferred stock (par $5). **Price**—$5.75 per share. **Proceeds**—To increase receivables and to reduce bank loans. **Office**—765 West Lancaster Ave., Bryn Mawr, Pa. **Underwriter**—J. G. White & Co., Inc., New York. **Offering**—Expected momentarily.

Nylok Corp., New York
Oct. 30 (letter of notification) $125,000 of 6% convertible serial notes due Jan. 1, 1964, being offered for subscription by common stockholders at rate of $125 of notes for each four shares of stock held as of Nov. 16; rights to expire on Dec. 16. **Price**—100% and accrued interest from Jan. 1, 1954. **Proceeds**—To reduce bank loans, purchase equipment, to explore foreign patents and for working capital. **Business**—Manufactures and sells fastening devices. **Office**—475 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

• Oil Financing & Development Corp. (12/11)
Nov. 25 (letter of notification) 29,986 shares of 50-cent cumulative preferred stock (par $1) and 89,958 shares of common stock (par 10 cents) to be offered in units of one preferred and three common shares. **Price**—$10 per unit. **Proceeds**—For working capital, etc. **Office**—52 Wall St., New York City. **Underwriter**—East Coast Securities Corp., New York.

★ Packard-Bell Co., Los Angeles, Calif.
Dec. 4 (letter of notification) 4,000 shares of capital stock (par 50 cents). **Price**—At the market. **Proceeds**—To Herbert A. Bell, the selling stockholder. **Underwriter**—Shearson, Hammill & Co., New York.

Petroleum Service, Inc., Dallas, Tex.
Oct. 30 (letter of notification) $300,000 of 6% convertible debentures due 1963. **Price** — At par. **Proceeds** — For working capital. **Underwriter**—Garrett & Co., Dallas, Tex.

Philadelphia Electric Co. (12/10)
Nov. 13 filed $20,000,000 of first and refunding mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; White, Weld & Co. **Bids**—To be received by company up to 11 a.m. (EST) on Dec. 10 at Room 712, 1000 Chestnut St., Philadelphia 5, Pa.

Porter-Cable Machine Co., Syracuse, N. Y.
Nov. 9 (letter of notification) 4,600 shares of common stock (no par). **Price**—$21.50 per share. **Proceeds**—To Geraldine R. Denison, the selling stockholder. **Underwriter**—William N. Pope, Inc., Syracuse, N. Y.

★ Procter & Gamble Co.
Dec. 2 filed 100,000 shares of common stock to be offered for sale to certain employees in accordance with and

Continued on page 40

Continued from page 39

subject to the terms and restrictions of The Procter & Gamble Stock Option Plan.

★ **Public Service Co. of Indiana, Inc. (1/12)**
Dec. 9 filed $25,000,000 first mortgage bonds, series K, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on Jan. 12.

★ **Reddy Beverages, Inc., Dover, Del.**
Dec. 1 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital and to pay operating expenses. **Office**—317-325 South State St., Dover, Del. **Underwriter**—None.

★ **Revco, Inc., Deerfield, Mich.**
Dec. 1 (letter of notification) 75,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For working capital. **Office**—Drew Ave., Deerfield, Mich. **Underwriter**—None.

★ **Saaty Fuel Injector Corp., Boston, Mass. (12/18)**
Dec. 3 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For new plant and equipment. **Office**—215 Chapman St., Boston, Mass. **Underwriter**—d'Avigdor Co., New York.

Saint Anne's Oil Production Co.
April 23 filed 165,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris of Chicago, Ill. Registration statement may be revised.

★ **Self Storing Window Co., Inc.**
Dec. 2 (letter of notification) 1,500 shares of class A common stock. **Price**—At par ($100 per share). **Proceeds**—For expansion program. **Office**—5901 Wayzata Blvd., Minneapolis, Minn. **Underwriter**—None.

Silver Dollar Exploration & Development Co.
Aug. 20 (letter of notification) 1,000,000 shares of common stock. **Price** — 30 cents per share. **Proceeds**—For exploration. **Office**—West 909 Sprague Ave., Spokane, Wash. **Underwriter** — Mines Financing, Inc., Spokane, Wash.

★ **Siskiyou Hardwoods Corp., Portland, Ore.**
Nov. 27 (letter of notification) 2,250 shares of common stock (no par) and $75,000 of 10-year 6% convertible debentures. **Price**—At $100 per share for stock and 100% for debentures. **Proceeds**—For land and building and operating capital. **Office**—313 Pacific Bldg., Portland, Ore. **Underwriter**—None.

Skyway Broadcasting Co.
Nov. 6 (letter of notification) subscription agreements for 2,000 shares of common stock. **Price**—At par ($50 per share). **Proceeds**—For studio remodeling. **Address**—Radio Station WLOS, Battery Park Hotel, Ashville, N. C. **Underwriter**—McCarley & Co., Inc., Ashville, N. C.

Snoose Mining Co., Hailey, Idaho
Oct. 30 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For machinery and equipment. **Underwriter**—E. W. McRoberts & Co., Twin Falls, Idaho.

★ **Southern Fire & Marine Insurance Co. of Georgia**
Nov. 30 (letter of notification) 12,500 shares of common stock (par $10). **Price**—$20 per share. **Proceeds**—For working capital. **Office**—79 Ponce de Leon Ave. N. E., Atlanta, Ga. **Underwriter**—None.

Sta-Tex Oil Co.
Oct. 2 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For drilling costs. **Underwriter**—Arthur R. Gilman, 20 Broad Street, New York City.

★ **Stanley Aviation Co., Denver, Colo.**
Nov. 30 (letter of notification) 20,000 shares of class A common stock (par 10 cents). **Price**—$10 per share. **Proceeds**—For working capital. **Office**—422 Denver National Bldg., Denver, Colo. **Underwriter**—None.

Texas Natural Gasoline Corp., Tulsa, Okla. (12/15)
Nov. 24 filed 209,000 shares of common stock (par $1), of which 134,000 shares are for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—From sale of 75,000 shares, for new construction and general corporate purposes. **Underwriters**—Carl M. Loeb, Rhoades & Co., New York, and Dallas Rupe & Son, Dallas, Tex.

● **Texo Oil Corp., Ardmore, Okla.**
Nov. 23 (letter of notification) 85,320 shares of common stock (par one cent). **Price**—At market (estimated at 45 cents per share). **Proceeds** — To selling stockholders who acquired shares as result of a previous underwriting (not to Harris T. Smith, Vice-President, as erroneously reported last week in these columns). **Underwriters**—Farrell Securities Co., New York, and Alexander Reid & Co., Newark, N. J., among others.

Three States Uranium Corp.
Nov. 13 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For drilling, surveys and working capital. **Office**—354 Main St., Grand Junction, Colo. **Underwriter** Tellier & Co., Jersey City, N. J. **Offering**—Not expected until after Jan. 1, 1954.

● **Titanium Ores Corp., Silver Spring, Md. (12/14)**
Nov. 27 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For new equipment. **Office**—8007 Takoma Ave., Silver Spring, Md. **Underwriter** — Mitchell Securities, Inc., Baltimore, Md.

Trad Television Corp., Asbury Park, N. J. (12/15)
Nov. 25 (letter of notification) 2,400,000 shares of common stock (par one cent). **Price**—$12\frac{1}{2}$ cents per share. **Proceeds**—For working capital. **Underwriter**—Tellier & Co., Jersey City, N. J.

★ **Turkey Merchants, Inc., San Francisco, Calif.**
Nov. 30 (letter of notification) 12,500 shares of capital stock. **Price**—$10 per share. **Proceeds**—For purchase of ranch and other expenses. **Office**—111 Sutter St., San Francisco, Calif. **Underwriter**—None.

Union Wire Rope Corp., Kansas City, Mo. (12/17)
Nov. 27 filed 21,000 shares of capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds** — To Mahlon G. Ensinger, President. **Underwriter** — P. W. Brooks & Co., Inc., New York.

★ **United Business Underwriters, Ltd.**
Nov. 27 (letter of notification) 155,250 shares of common stock (par $1) to be first offered to stockholders. **Price**—At par to stockholders, and at $1.25 per share to public. **Proceeds** — For construction. **Office** — 305-7 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—None.

United Merchants & Manufacturers, Inc.
Oct. 7 filed 574,321 shares of common stock (par $1). **Price**—At the market (either on the New York Stock Exchange or through secondary distributions). **Proceeds**—To a group of selling stockholders who will receive the said shares in exchange for outstanding preferred and common stock of A. D. Juilliard & Co., Inc., on the basis of $6\frac{1}{2}$ shares of United Merchants stock for each Juilliard common or preferred share. **Underwriter** — None. Statement effective Oct. 26.

Uranium, Inc., Salt Lake City, Utah
Nov. 10 (letter of notification) 833,333 shares of common stock (par one cent). **Price**—Six cents per share. **Proceeds**—To equip and survey properties and for working capital. **Office**—702 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Cayias Brokerage Co., Salt Lake City, Utah.

Washington Water Power Co.
May 7 filed 1,088,940 shares of $1.28 cumulative convertible preferred stock (par $25) and 1,088,939 shares of common stock (no par) to be issued in connection with the proposed merger into company of Puget Sound Power & Light Co. on the basis of one-half share of preferred and one-half share of common for each Puget Sound common share to holders who do not elect to receive cash at the rate of $27 per share. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

Western Empire Petroleum Co., Ogden, Utah
Oct. 22 (letter of notification) 3,000,000 shares of common stock (par 10 cents). **Price**—5 cents per share. **Proceeds** — For additional working capital, to acquire leases, drill well, etc. **Office**—812 Eccles Bldg., Ogden, Utah. **Underwriter** — Samuel B. Franklin & Co., Los Angeles, Calif.

Wyoming Oil Co., Denver, Colo.
Nov. 3 (letter of notification) 5,000,000 shares of common stock (par five cents). **Price**—$5\frac{1}{2}$ cents per share. **Proceeds** — For drilling expenses. **Office** — 301 Kittredge Bldg., Denver, Colo. **Underwriter** — Robert W. Wilson, Denver, Colo.

★ **Wyoming Oil & Exploration Co., Las Vegas, Nev.**
Dec. 7 filed 300,000 shares of capital stock (par $1. **Price**—To be supplied by amendment. **Proceeds**—To pay for leases and drilling. **Business**—Oil and gas exploration. **Underwriter**—None.

Prospective Offerings

American Louisiana Pipe Line Co.
Nov. 10 company, a subsidiary of American Natural Gas Co., asked Federal Power Commission to authorize construction of a $130,000,000 pipe line, to be financed through the issuance of $97,500,000 of first mortgage bonds, $12,000,000 of interim notes convertible to preferred stock at option of company, and $20,500,000 of common stock (par $100), the latter to be sold to parent.

Atlantic City Electric Co.
Oct. 5 B. L. England, President, announced that the company plans to issue and sell early next year about $4,000,000 of new bonds and make an offering to stockholders on a 1-for-10 basis of sufficient common stock to raise an additional estimated $3,000,000. **Proceeds**—For construction program. **Underwriters**—For common stock may be Union Securities Corp. and Smith, Barney & Co. Previous bond issue was placed privately.

Atlantic Refining Co.
Nov. 24 it was reported that proposed debenture issue early next year will be around $60,000,000. The exact nature and timing of the financing are still to be determined. **Proceeds**—To be used to help pay for a $100,000,000 construction program. **Underwriters**—Smith, Barney & Co. may head group.

Aztec Oil & Gas Co.
Aug. 11 it was reported company's common stock (held by Southern Union Gas Co.) may be offered to stockholders of the parent company on a pro rata basis under a proposed divestment plan.

Baltimore & Ohio RR.
Nov. 9 it was reported company is planning to issue $60,000,000 of new collateral trust 4% bonds to mature in 1-to-16 years in exchange for a like amount of collateral trust bonds due Jan. 1, 1965 now held by the Reconstruction Finance Corporation. The latter in turn plans to offer the new bonds to a group of investment houses including Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Alex. Brown & Sons; and others. The bankers would then offer the bonds to the public.

Central Illinois Electric & Gas Co.
Oct. 30 it was announced company intends to offer and sell an issue of 15,000 shares of cumulative preferred stock, par $100, later this year and $4,000,000 of first mortgage bonds about the middle of 1954. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — (1) For preferred stock—Stone & Webster Securities Corp., New York. (2) For bonds — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Central Maine Power Co.
Oct. 7 it was reported company plans sale during the first quarter of 1954 of $10,000,000 common stock after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

★ **Chicago Great Western Ry.**
Dec. 3 company sought ICC permission to issue and sell $6,000,000 of collateral trust bonds due Nov. 1, 1978, through a negotiated sale. **Price**—To be announced later. **Proceeds**—To repay bank loans and for capital improvements.

Chicago, Milwaukee, St. Paul & Pacific RR. (12/17)
Bids will be received by the company up to noon (CST) on Dec. 17 at Room 744, Union Station Bldg., Chicago 6, Ill., for the purchase from it of $7,650,000 equipment trust certificates, series RR, to be dated Jan. 1, 1954, and mature in 30 equal semi-annual instalments of $255,000 each. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Colorado Oil & Gas Co.
Nov. 12 it was reported company, a subsidiary of Colorado Interstate Gas Co., plans issuance and sale of about $20,000,000 of common stock. **Proceeds**—For exploration and development. **Underwriter**—Union Securities Corp., New York. **Offering**—Expected early next year.

Commonwealth Edison Co.
Nov. 25 Northern Illinois Gas Co., a subsidiary, was incorporated in Illinois to acquire the gas properties of Edison's Public Service Company division. This unit plans to issue and sell $60,000,000 of mortgage bonds early in 1954. **Underwriters** — The First Boston Corp., Halsey, Stuart & Co. Inc., and Glore, Forgan & Co.

● **Connecticut Light & Power Co.**
Dec. 7 it was reported company plans to raise between $10,000,000 and $20,000,000 in 1954 from sale of bonds and stock. **Underwriters**—For common stock: Putnam & Co. and Chas. W. Scranton & Co. Bonds may be placed privately.

Continental Transportation Lines (12/14-18)
Dec. 2 it was announced company plans to issue and sell 250,000 shares of common stock, subject to approval of Interstate Commerce Commission. **Price**—$8 per share. **Underwriter**—Shields & Co., New York.

Delaware Power & Light Co.
Oct. 5 it was announced company plans to issue and sell in 1954 about $10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); W. C. Langley & Co.

Detroit Edison Co.
Nov. 30 directors announced that company plans to offer to its stockholders $43,358,000 of 15-year convertible debentures on the basis of $100 of debentures for each 25 shares of capital stock held. **Proceeds**—For new construction and to repay bank loans. **Underwriter**—None. **Offering**—Expected in January.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

Erie RR. (12/10)
Bids will be received by the company up to noon (EST) on Dec. 10 for the purchase from it of $5,400,000 equipment trust certificates to be dated Jan. 15, 1954 and due annually 1955-1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Essex County Electric Co.
Sept. 21 it was reported company plans issuance and sale of $4,000,000 30-year first mortgage bonds. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

Fire Association of Philadelphia (1/18)
Nov. 16 it was announced company plans to offer to its stockholders Jan. 18, 1954, the right to subscribe on or before Feb. 17 for 340,000 additional shares of capital stock (par $10) on the basis of one new share for each share held. **Price**—Expected to be $22.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None, but The First Boston Corp., New York, will act as advisors to the company. **Meeting** — Stockholders will vote Jan. 14 on increasing authorized number of shares from 360,000 (340,000 outstanding) to 800,000.

★ **Fulton National Bank, Atlanta, Ga.**
Dec. 4 stockholders of record Dec. 1 were given the right to subscribe on or before Dec. 31 for 50,000 shares of additional capital stock (par $10) on the basis of one new share for each four shares held. **Price**—$27.50 per share. **Proceeds**—For capital and surplus. **Underwriters**—The Robinson-Humphrey Co., Inc., Atlanta, Ga., and Equitable Securities Corp., Nashville, Tenn.

● **General Tire & Rubber Co.**
Dec. 3 stockholders approved a proposal to authorize 350,000 shares of $100 par preferred stock. There are said to be no present plans for issuing any of these share.

Houston Lighting & Power Co.
Sept. 25 it was reported company plans some new financing to provide funds for its construction program. Bidders for about $25,000,000 of bonds may include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp.;; Lehman Brothers; Smith, Barney & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.

Idaho Power Co.
Aug. 6, officials of Blyth & Co., Inc. and Bankers Trust Co., New York, testified before the Federal Power Commission that this company plans to raise $184,550,000 to finance construction of three hydro-electric projects on Snake River, Idaho. If approved, the financing will consist of $105,000,000 of bonds through 1962; $27,400,000 of preferred stock; and $52,150,000 of common stock. Throughout the financing period, the company would borrow and repay $29,000,000 of short-term loans. Final financing details would depend on market conditions.

Illinois Central RR.
Nov. 20 it was reported company may sell an issue of bonds or debentures, the proceeds of which will be used, in part, to redeem on Feb. 1, next, the outstanding $34,743,000 4¾% debentures due 1966. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc., and Union Securities Corp. (jointly).

Iowa-Illinois Gas & Electric Co.
Nov. 10 it was reported company plans issuance and sale of 40,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—If by competitive bidding, they may include: The First Boston Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler. **Offering**—Expected in January.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price—$5** per share. **Proceeds** — To help finance a new bottling plant. **Underwriter—None.**

McBride Oil & Gas Corp., Houston, Tex.
Nov. 8 it was announced that early registration is expected of approximately $5,000,000 of common stock. **Price**—Expected to be about $2 per share. **Proceeds**—For expansion program. **Underwriter** — Bryan & Co., Houston, Tex.

Mystic Valley Gas Co.
Sept. 21 it was reported company plans issuance and sale of about $6,000,000 of bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

North Shore Gas Co.
Sept. 21 it was reported that company plans issuance and sale of about $3,000,000 bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

Northern Illinois Gas Co.
See Commonwealth Edison Co. above.

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-miles pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

Ohio Edison Co. (1/13)
Nov. 19 company sought SEC approval to offer for subscription by its common stockholders of record Jan. 14, on a 1-for-10 basis, 527,830 additional shares of common stock (with an oversubscription privilege). **Price**—Expected to be named on Jan. 11. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on Jan. 13.

Ohio Edison Co. (1/19)
Nov. 19 company applied to SEC for authority to issue and sell $30,000,000 first mortgage bonds due 1984. **Proceeds**—For repayment of bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). **Bids** — Expected to be received on or about Jan. 19.

Otter Tail Power Co.
June 25 FPC authorized company to issue a maximum of $4,000,000 unsecured promissory notes to banks, the proceeds to provide funds to temporarily finance the company's 1953 and 1954 construction programs prior to arranging for long-term financing. **Underwriters—May** be Glore, Forgan & Co. and Kalman & Co.

Pacific Northwest Pipeline Corp.
Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
July 2 it was announced company plans to issue and sell to its stockholders 1,004,603 additional shares of capital stock on a 1-for-7 basis. **Price**—At par (100 per share. **Proceeds**—To repay bank loans. **Underwriter**—None. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific's outstanding stock. **Offering**—Not expected until the early part of 1954.

Public Service Co. of Colorado
Oct. 13 it was reported company is planning to float an issue of $15,000,000 first mortgage bonds, due 1984, early next year. **Proceeds**—For financing, in part, a $17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Southwestern Development Co.
See Westpan Hydrocarbon Co. below.

● **Southwestern Public Service Co.**
Dec. 1 it was reported company plans to issue and sell to its common stockholders on a 1-for-14 basis about 272,000 additional shares of common stock (with a 14-day standby); also $12,000,000 of first mortgage bonds (which may be placed privately). **Underwriter**—For stock: Dillon, Read & Co., Inc., New York. **Offering**—Expected late in January or early February, 1954.

Suburban Electric Co.
Sept. 28 it was reported company plans issuance and sale of about $4,000,000 bonds. **Underwriters—May** be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

Utah Power & Light Co.
Nov. 13 it was reported company plans to offer around March, 1954, about 225,000 shares of common stock and in May or June, 1954, approximately $16,000,000 of bond **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. jointly); The First Boston Corp. and Blyth & Co. Inc. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. Previous common stock offering (in 1952) was made to stockholders, without underwriting.

West Coast Transmission Co.
Oct. 14 it was announced that company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

● **Western Maryland Ry. (12/15)**
Bids will be received up to 1 p.m. (EST) on Dec. 15 for the purchase from the company of $4,830,000 equipment trust certificates due annually Dec. 15, 1954-1968. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros & Hutzler; Kidder, Peabody & Co., Blair, Rollins & Co. Inc.

Westpan Hydrocarbon Co.
July 1 SEC granted Sinclair Oil Corp. an extension of six months from June 21, 1953, in which to dispose of its holdings of common stock in Westpan and the Southwestern Development Co. Sinclair owns 384,860 shares (52.85%) of the stock of each of the other two companies. **Underwriter**—May be Union Securities Corp., New York.

Our Reporter's Report

Sentiment in the underwriting business has undergone another of those sudden changes, this time for the better. Whereas a week ago, with several big issues backing up, the majority were not seeing through rose-colored glasses, this week finds rank and file feeling much better about prospects.

Two things have helped bring about this shift in attitude. First, the Treasury market has been creeping steadily forward and while the wish may be father to the thought, opinion generally is that the government market will be higher six months hence.

This would indicate a feeling that no heavy government financing is in the offing and that any intermediate operations will be carried through on a lower cost basis.

The second and perhaps more immediate basis for current cheerfulness is fulfillment of the hope expressed a week ago, that the big General Motors debenture flotation would be set up attractively for investors, and, by quick acceptance, give the market a much-needed fillip.

There is no gainsaying the fact that this is exactly what happened since demand for this record-breaking industrial undertaking was such that the debentures quickly moved to a sizable premium.

Concurrently the Quebec Hydro-Electric Commission's large debenture offering also was reported finding a ready market with early over subscription indicated.

GM Fills the Bill

With a group of 298 underwriters handling the business across the country, investors found the price of 100½ and the indicated yield of 3.22½% fixed for General Motors' $300 millions of 25-year debentures right to their liking.

Representing the only debt securities of the leading motor manufacturer outstanding, the issue carried further appeal in a sinking fund of $10,000,000 annually from 1958 to 1977 assuring redemption of some two-thirds of the total prior to maturity. Optional redemption prices added another favorable element.

In consequence the issue was in demand at premium prices. being quoted at 101¼ soon after books opened to bring the yield to buyers at that price down to roughly 3.17%. This was within less than a quarter point of the yield prevailing on long-term governments.

Slowdown Ahead

With this week's new offerings out of the way the investment banking business will begin to settle down to the customary year-end occupation of literally closing up shop and taking inventory, so to speak.

Institutional investors, as is customary, will be pursuing much the same tasks so that anything in the way of new offerings would have to fit right into a portfolio spot in order to bring out buyers.

Accordingly, with the projected sale at competitive bidding today of Philadelphia Electric Co.'s $20,000,000 of new first mortgage 30-year bonds, the curtain will start dropping on 1953 in the investment world.

As time for this undertaking drew close, there was a disposition in bond market circles to look for a price basis which would give the buyer a yield of somewhere around 3.15% to 3.20%.

Once that issue is out of the way the next sizable piece of business in sight is Consolidated Edison Co. of New York's $3.,000,000 of 30-year bonds which were placed in registration with the Securities and Exchange Commission late last week and which are expected to be up for bids along about Jan. 6, 1954.

Continued from page 10

Politics Point to Extension Of Farm Price Support

recent appointment by President Eisenhower of the bipartisan National Agricultural Advisory Committee. However, even this will not alter the closeness with which a politically conscious Congress appraises farmer reaction of its position on farm legislation. It is members of Congress — not the Secretary of Agriculture — who must periodically stand before the electorate.

Indirect participation of U. S. D. A. agencies in partisan politics probably reached an all-time high under the administration of recent Secretary of Agriculture Charles Brannan. This was especially true of the Production and Marketing Administration, which administered the broad system of direct subsidy payments from the United States Treasury to some 3,000,000 individual farmers. The administrative bureaucracy developed to handle this program reached into every agricultural county and township in America. There were some 9,000 county committeemen and some 85,000 township and community committeemen, the latter serving mostly on a part-time basis.

Until a few months ago, the P. M. A., acting for the Secretary of Agriculture, administered the distribution of agricultural conservation payments to individual farmers, and the crop loan and storage features of the farm price support programs. Earlier this year, Secretary of Agriculture Benson transferred the Agricultural Conservation Payment Program, at the Washington level, to another division of the U. S. D. A. However, this program continues to be administered in the states and counties by essentially the same organization as before. In the current fiscal year, for example, it has some $195 million for distribution to farmers as conservation payments. On top of this, it administers a sizable crop loan and storage program. It should be noted that authorization for these programs has had considerable Republican as well as Democratic support in recent sessions of the Congress. It was probably inevitable that such a system as the P. M. A. should itself become a quasi-political agency.

The practice of using the P.M.A. as a quasi-political organization cannot be corrected, over the long run, merely by changing Administrations and by changing Secretaries of Agriculture. With some 3,000,000 farmers receiving checks from the United States Treasury for doing or not doing something, and with an organization to administer such a program that provides a direct line of contact between the political hierarchy in Washington and the individual farmer at the grass roots of America, the temptation ultimately to use such a system for political ends is almost irresistible. Given time, Secretary of Agriculture Benson, in the present Republican Administration, will find himself subject to about the same temptations and the same pressures to use the system for political ends as was true of Secretary Brannan under a Democratic Administration. In the long run, this condition can be corrected only by removing the "temptation," consisting of a general system of direct payments to individual farmers.

Governmental aid to American agriculture has been more and more taking the form of direct aid to the individual farmer, which is extended in return for his compliance with some particular action program promoted by the U. S. D. A. This philosophy of aid to farmers has been developed, in the main, since the advent of the first Roosevelt Administration in 1933, when Henry A. Wallace was Secretary of Agriculture.

From the time of the creation of the U. S. D. A. in 1862 until 1933, the emphasis of the Department of Agriculture was largely on indirect assistance to individual farmers through aid and encouragement to the agricultural industry generally. Such aids took the form of research, education through the land-grant college system, including the Agricultural Extension system, and the regulatory functions of the Department of Agriculture with respect to both production and marketing functions.

Under this system of governmental aid to the industry rather than to the individual, individual farmers were relatively free to make production and marketing decisions on their own farms in accordance with what they conceived to be sound management and husbandry principles. There was no "action program" prescribed by a central governmental agency with which they were urged (or forced) to comply.

With the advent of direct payments from the Treasury to individual farmers, following 1933, for doing or not doing something, there developed a new relationship between agriculture and government. In order to qualify for soil conservation payments, price support loans on crops and livestock, and other forms of direct governmental aid, individual farmers have found it necessary to follow prescribed production of certain commodities and expand the production of others, and do various other prescribed things. Important managerial decisions have been transferred from the individual farmer to the central planning agency. In some cases this has been voluntary on the part of the individual farmer, and in others compulsory.

Long-time Farm Program

Some day, perhaps in 1955, the economic unsoundness of the present method of farm price supports will have been driven home to our people so forcibly that the American public will demand a revision in price support legislation. In the meantime, agriculture faces a real political challenge. Never before in our history were so many groups and so many individuals at work on formulation of the agricultural legislative program, at least from an advisory point of view.

Now is an opportune time for all of us to re-examine the basic principles that we want to undergird our farm program. Then we should decide how far we must compromise our principles of economic soundness in order to satisfy the practical requirements of the political environment in which the farm program must survive. Democratic action nearly always results in compromise. Our problem now is to strive for as economically sound a program as possible within the framework of practical politics.

We must examine critically such issues as the level of price supports we desire; whether we want to live under a philosophy of restricted agricultural output or full output; whether we want to have a two-price system or a one-price system for agricultural products; whether we want to endorse the philosophy of cheap subsidized food for American consumers; whether we want to impose limitations on the size of production units on American farms; whether we want to ration "production rights" among farmers; and whether we want to control the individual farmers or exercise overall control of the agricultural industry, leaving the individual farmer relatively free.

We have pretty well decided in agriculture that we don't want price ceilings in time of inflation. But we're far from agreed about high level price supports in time of price softness. Many of our farm people don't realize that in the long run they can't have high level supports without also taking price ceilings. The two go together. If we insist on a free market on the high side, we must learn to live with a relatively free market on the low side also. If we insist on market and price controls on the low side, we must also be prepared to accept them on the high side of the market.

Production for government warehouses will never be an acceptable substitute for an agriculture aimed at feeding the American family. One of the big needs of the farm program is to help regain the lost markets both abroad and at home. A first-class illustration of how the present system of high farm price supports works against this is found in the case of butter. The year 1953 will be the last year in which the American public will eat more butter than margarine. In 1953, per capita consumption of margarine will be within one-half pound per person of that of butter. The high support program on butter during the last year has priced it off the American table more rapidly than any other program could possibly have done. It will never come back.

We should convince ourselves and those whose thinking we influence that we must strive for a farm program relatively free from restraints on the individual farmer; one that promotes the general welfare of agriculture; one that encourages full production; one that somehow lets the individual farmer manage his farm according to the principles of good farm management, and lets him be efficient; one that doesn't place restraints upon his output; one that is not permanently based upon a 20% cutback in production of this crop or that crop.

We need a long time program that doesn't lead us blindly into a policy of curtailed output, because never can any sector of the economy be prosperous for long unless it produces fully. The essence of wealth, and of well-being, the essence of prosperity in America—is a full level of production. We must pursue a program that somehow encourages that. We must pull for a flexible program, adapted to our changing needs. BUT ABOVE ALL, WE MUST KEEP PRODUCING.

Continued from page 14

American Gold Policy

highly emotional ethical approach. It is characterized by as much fervor and not much more rationality than the mythological approach.

The basic belief of the ethical approach is that there is inherent virtue in gold payments, that they are an essential part of playing fair with the people, of honoring one's obligations and redeeming one's promises. Departure from gold payments, in the eyes of adherents of this school, is not merely unwise but immoral. It is not only the road to ruin but a descent to perdition.

It cannot be denied that immoral practices have occurred in history in connection with the issuance of money. Clipping gold coins in order to raise money for the King was not a morally justifiable action. Nor was the flooding of an economy with paper money by a dictatorial ruler. The line of distinction between ethics and economics in this field seems to be whether the government which decides on a course of action is a proper representative of the people, whether it can be easily replaced if its policies do not meet with popular approval, and whether its actions are open and above-board or surreptitious and concealed. If a ruler, who cannot be replaced except by force, decides to pay his debts by printing money, to make this money legal tender, thus forcing people to accept it in payments, and then prints an amount determined solely by his inclination without reference to the effects on the economy and on the interests of the people, he is not only a bad ruler, but is acting in an irresponsible, possibly an immoral manner. Similar behavior by a representative government which can be promptly displaced by the peoples' ballots, may still reflect poor judgment and lack of economic foresight and understanding, but it would involve no question of ethics, provided the action is made clear and not misrepresented. If such a government chooses to follow a path of economic folly, this is regrettable and does damage to the economy, but it is not a matter of morality but of wisdom. If the people wish its government to follow such a course, and choose to keep such a government in power, then these people have only themselves to blame. It is not a case of immorality but of stupidity, ignorance, or lack of interest.

It is worthwhile to stress this aspect of the matter because it points to the conclusion that appeals to moral codes and to emotions are out of place in a discussion of monetary policy in a democracy. If the people do not approve of their government's monetary policy, they can vote the government out of office. Unless the government practices concealment and misrepresentation, it may be exposed to political but not to ethical repudiation.

For example, when the American government changed the gold content of the dollar in 1933 and 1934, there were many who were convinced that this was a mistake, and there are many more who have become convinced of this by subsequent events. But no issues of morality were involved.

The change in the gold content of the dollar raised an issue which on its face appeared to have an ethical aspect. There were many public and private obligations that carried a so-called gold clause, by the terms of which the obligations were payable in gold dollars of unaltered weight and fineness. Enforcement of these clauses was required for a discharge of contractual obligations. But such an enforcement would not only have cost the government many millions of dollars, but would have imposed an unbearable burden on private debtors, issuers of bonds, borowers on mortgages, and others. An increase of 70% in the face value of all such debts would have ruined the debtors, inequitably enriched the creditors, and disrupted the economy. This was an extreme case. The people who elected the government could not afford to have it enforce the fulfillment of its own and other borrowers' promises to repay in dollars of unaltered gold content. A legal way had to be found to authorize the breaking of these promises and such a way was found by the Supreme Court which held the clauses to be contrary to the public good and, therefore, void. This incident illustrates how in a democracy even freely entered legal promises can be declared invalid if the people, through their government, decide that their discharge would do untold harm to the community. An essential part of this picture is that it is a promise by the people to **themselves** that is broken by the same people through their representatives. If other parties, such as foreign countries, are involved this line of reasoning does not apply.

It is true that such a case arises only infrequently and that, in substance, what was involved was a safegaurd that had been adopted under entirely different circumstances and had become a routine item in small type in many contracts. But the incident nevertheless teaches a lesson, namely, that in a democracy the people, acting through their government, can even repudiate contracts without violating moral principles, if they are convinced that they will be far better off, as a people, by not enforcing the contracts. It is far better to break a promise to oneself than to pay a disproportionate price without legitimate benefit to anyone by living up to the letter of the undertaking. There is little profit in demanding a pound of one's own flesh just because it is so nominated in the bond.

And so it is proposed to leave out the ethical as well as the mythological approach in the subsequent more realistic review of gold policy.

Commercial Approach

There is still another non-monetary approach to the problem of gold and that is what may be described as the commercial approach. In addition to being a myth, a moral slogan, and a standard of value, gold is also a commodity. It is produced by labor and management employed by companies owned by stockholders and it is sold to governments and to the public by the producers. The cost of production is met by the companies and the money received for the product is used to pay wages and other costs and to distribute dividends to holders of shares in the enterprise. In other words, in this aspect, gold is like any other commodity produced and sold in free economies.

It is not surprising, therefore, that producers of gold and holders of gold stocks are interested in boosting the price of their product or holding. Because of the many aspects of gold, some of which have already been indicated and some of which will be discussed later, those who are industrially or commercially interested in a higher price of gold have at their command an unusually wide field on which to draw for arguments to support their case. Because of the emotional appeal and complexity of the subject, they are in a position, consciously or unconsciaously, to so confuse the issue as to make it difficult to preserve clear objective thinking on the subject.

There are two important differences between the gold industry and other industries: there is no problem of finding a market for the product—gold, and, secondly, the price for gold is fixed by law. The absence of response in the price of gold to forces that cause prices of other commodities to change has important consequences. When other prices—and costs—rise, the price for gold seems inadequate to producers and pressure for official action to raise the price of gold becomes strong. At times when other prices fall, however, the agitation for increasing the price of gold, though it becomes less powerful, does not subside altogether. At such times the advocates of higher prices for gold argue that a cause of the fall in commodity prices is

a shortage of gold, and that by raising its price and increasing output, commodity prices in world markets would be sustained. This is a way in which monetary arguments can be enlisted for the support of higher gold prices when ordinary industrial arguments cease to be applicable.

The only strictly logical answer to these arguments by gold producers is that the gold industry, owing to its relation to monetary conditions, should not be privately owned but should be in the hands of public authorities. This logical solution of the problem, however, which has been proposed from time to time, presents many difficulties because of the international ramifications of the effects of gold prices and the differences in national interests that may develop between countries. It is abundantly clear that this is not a feasible solution, at least not in the foreseeable future.

It should be noted also that there are forces at work that tend to influence private gold production in the direction of monetary stability. At times when world prices and costs of production are rising the output of gold tends to decline because with a fixed price for gold more expensive mines become unprofitable. These are also likely to be times when credit restriction becomes desirable, so that reduced gold output exerts an influence in the right direction. Contrariwise, in times of falling prices and costs, gold production with a fixed price for gold becomes more profitable and less productive mines may become worth working. So again the influence would be in the right direction, tending to increase the basis of credit at a time when expansion of credit becomes the proper monetary policy.

The substance of the commercial aspects of gold production may be summarized by saying that capital that goes into the industry must be aware of the conditions under which it has to operate. Of these conditions public control of the price of the output and the relative unresponsiveness of the price to changed economic conditions are well known and must be taken into consideration before engaging capital in the undertaking. On the whole the industry yields enough profit to attract capital. From the public point of view the private interests of gold producers must be disregarded and decisions about the price of gold must be made by public authorities entirely on the basis of monetary considerations.

Monetary Approach

From the monetary point of view the principal factor in the gold situation is the United States. It not only has a fixed price for gold maintained now for twenty years, but is also the principal purchaser of the metal. American policy in regard to gold is to buy all gold offered at a fixed price of $35 per fine ounce and to make it freely available for sale in the settlement of international balances through central banks and governments. This policy has been in effect for a long time, with a brief interruption and a change in price, for more than a half a century. It is also likely to continue to be the American gold policy. This is indicated by the platform of the party now in power in the United States The platform says on this point: "[It is our object] to restore a domestic economy, and to use our influence for a world economy, of such stability as will permit the realization of our aim of a dollar on a fully convertible gold basis." This plank appears to assure the continuance of the existing policy in regard to gold.

There are two principal ways in which different groups wish to change this policy: first, to restore at once the redemption of United States currency in gold coin, and, second, to increase the price at which the U. S. Treasury will buy and sell gold from $35 to some higher figure.

Agitation for immediate free redemption in gold coin is active and extremely articulate and emphatic, but it does not appear to have broad popular support. The public is more concerned, in the financing field, with trying to pay its taxes and with making both ends meet, at a time of a high and rising cost of living, to devote much attention to an agitation for gold coin redemption. If the average citizen thinks of this at all, he is probably in favor of it, but he is not excited about it. He is not much interested in owning gold coins and and feels instinctively that coin redemption would not help him solve his daily problems.

The agitation for coin redemption comes principally from academic circles and appears in all the panoply of the mythology and moral fervor of the crusader with ill-digested economic arguments forming a background for a religious belief and an ethical conviction. That resumption of coin redemption at this time, prior to the reestablishment of stable conditions in the world, would not contribute to the attainment of this vital objective would be violently denied by the advocates of coin redemption. Neither would they recognize that under existing conditions free redemption of currency in gold coin would only help a few hoarders to build up their piles and a few speculators and smugglers to draw on our gold reserves. Such smugglers could very well include representatives of unfriendly powers.

It should be noted that the plank in the dominant party's platform, quoted above, does not propose gold redemption as an immediate policy, but only efforts in the direction of world economic stability such as would make it possible ultimately to pay out gold not only in payment of international balances but also in meeting domestic requests. The party plank does not make it clear whether it envisages only redemption in bullion or redemption in coin as well, but it is probably a fair interpretation of the language that the phrase "fully convertible" includes redemption in coin. It proposes this, however, not as a step **toward** economic stability, but as an undertaking that will be made possible **after** the restoration of stability by other policies and undertakings. Gold coin redemption is to be the icing on the cake of a restored world order—not an important ingredient in its preparation. As a gesture to satisfy the taste of some people for glittering gold coins (as Christmas presents or otherwise), and as a symbol of the restoration of a stable world, the reintroduction of gold coins into the monetary system would have psychological and social value. But its premature adoption would be a signal of the existence of something that is not and an invitation to not too patriotic groups to help themselves to our national treasure.

A far more serious proposal in regard to gold policy is the plan to increase the price of gold What is desired is not unilateral action by the United States, for that would only accentuate existing difficulties by encouraging America exports, which are relatively too large already, and discouraging American imports, which are not large enough. What is proposed is a unified action by all trading nations to raise the price of gold uniformly throughout the world. Such action is authorized, under certain conditions, by the international monetary agreements negotiated in Bretton Woods.

What is said in favor of this proposal is that it would increase the currency value of existing stocks of gold and of the gold output, and thus would facilitate international payments. It would also make it less tempting to hoard gold and might even lead to the release of some gold from existing hoards. These arguments, though they are based on undisputable facts (except the last one which is supposititious), seem singularly unconvincing. Under any reasonable assumption regarding the extent of the rise in the gold price, the benefits from the revaluation would not be large in relation to the volume of international transactions, and would not be distributed in accordance with the needs of different countries. On the contrary, a large part of the benefits would go to countries that are not short of gold and have relatively hard currencies.[1]

[1] For brevity's sake this article avoids statistics. The underlying data are presented by Miroslav A. Kriz in a pamphlet on *The Price of Gold* issued by the International Finance Section of Princeton University in July, 1952. The arguments are reviewed in the *Monthly Letter* of the National City Bank of New York for January, 1953.

Perhaps the most important drawback of the proposal for raising the price of gold is that it represents an attempt at correcting or ameliorating a deeply rooted condition by resort to a superficial and temporary measure. Trade balances which reflect relative productive powers, export possibilities, and import requirements of different countries, together with the needs of military security, cannot be restored by over-all action on the price of gold. In terms of an ordinary householder the resulting benefits might help to pay a month's grocery bills, but they will not help to meet large obligations in payments of taxes or house property, and on necessary insurance policies, and they might help the wrong householder. More importantly, they would not cure long-term discrepancies between income and outgo. What is needed is improvement in basic conditions; non-recurring monetary devices will not accomplish this. They will only divert effort from fundamental and permanent remedies to ephemeral and temporary devices.

A change in the price of gold, furthermore, would remove the one fixed and dependable point of reference in the disrupted financial structure of the world. One revaluation is likely to lead to another and is sure to shake the confidence of the people in the permanence of the value of gold and of their currencies. This would involve a far greater loss to the world economy than could be offset by any possible immediate relief resulting for some countries from the increase in the value of their current gold output and their present gold holdings.

In conclusion, therefore, American gold policy is based on the maintenance of a fixed value of gold at which it is freely bought and sold for international purposes. There are strong reasons for wishing that no change in this policy receive favorable consideration, and every reason to believe that it will continue to be the cornerstone of this country's international monetary policy.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Farm supports definitely must NOT be touched by legislation in 1954. If the burden upon the taxpayer for maintenance of farm income is ever to be lowered, even a little, it will require a far broader investment in political courage and in propaganda spadework than the Eisenhower Administration or conservatives in Congress have ever imagined.

This, in brief, is the basic conclusion members of the House Committee on Agriculture have derived after an extensive tour of the entire country.

This Committee, and sub-Committees thereof, have recently finished a remarkably energetic sounding out of farm sentiment. They held hearings from Maine to California, from Florida to Washington state. These hearings have been held in big cities and cross-roads hamlets. A subcommittee would stop at any wayside where as few as 20 farmers or farm spokesmen would show up to express their views on a farm program.

For the Committee undertook this project to get genuine local sentiment about the future of the farm program. The Committee definitely was determined upon a mission of inquiry. It was not out on a propaganda mission to work up sentiment for anything. If the Committee had any motive other than pure inquiry, it was to ascertain if farm sentiment would not perhaps favor some lightening of the taxpayer's burden, if there were not some decisive sentiment for a lower or flexible farm price support program.

It would be easy to kiss off this reported conclusion by a cynical appraisal to the effect that members of the Committee on Agriculture are not the ones who should be charged with thinning the gravy on the special interest group which they more or less represent, particularly in an election year.

There is, of course, an inescapable large element of motivation of this nature. On the other hand, this correspondent has been impressed by 25 years of reporting the Washington scene with one conclusion: Members of Congress by and large are no less public spirited than mankind generally, and a few of them are much more so. Some of the more seasoned of these leaders probably also view with misgivings the future of subsidies and controls over farming, but they realize that fundamentally a member of Congress cannot go much farther than being a broker between government and pressure groups.

Farm Subsidies Imbedded

Many of the members of the Committee which took the high roads and the low roads this year did the same thing a few years ago. They were impressed with one thing, which is that there is now virtually rooted in farm sentiment as solidly as a 20-year oak, the idea that the government owes the farmer a good living. A few years ago there was still some questioning of this concept.

They also found that farmers were acutely aware that their own subsidy is only part and parcel of a governmental concept of subsidizing every pressure group large enough to command the favors of government. So long as labor is backed in its enormous bargaining power through the stacking of the law in favor of the unions, for example, or so long as government has undertaken to support foreign allies in a standard to which they are fast becoming accustomed, to use another example, the farmers mean to "get theirs."

Furthermore, the Committee is said to have found a much greater willingness than formerly, to accept the controls over planting and marketing that go with the whole income subsidy deal. Until recent years, farmers loved their supports but more widely than now resented the controls on their activities.

As a result of these extensive soundings, members of the Committee have come to have grave doubts whether the subsidy system, now some 20 years old, can ever be reduced appreciably in scope. They have come to wonder farmers ever really can be aroused in any decisive voting numbers for something abstract known as the free society.

In any case, they are said to believe, farm subsidies cannot be tackled until there comes an Administration d i s p o s e d to tackle the subsidized and special privilege society all up and down the line.

Say "No" to 1954 Changes

These Congressmen, however, are occupationally far more interested with the problem of legislation in 1954, for it is their initial decision to make. The present system of farm supports expires at the end of 1954, and 1955 crops will be without these aids unless Congress extends them.

These men are convinced that the 90% supports cannot be reduced by legislation next year without certain political retribution against any Congressman, Democratic or Republican, who votes for a reduction.

At the very minimum, it is their view, the supports should be continued unchanged on 1955 crops, postponing until at least 1955 possible Congressional consideration of a less expensive subsidy deal. For 1955 will be a year when there is no election.

Others are saying that possibly the decision should be postponed for three years, so as to take it entirely out of the Presidential campaign in 1956. Meanwhile, if the Eisenhower Administration definitely retains a firm disposition to lower subsidies, it had better begin a long propaganda build-up for this and perhaps consult its conscience on privileges to organized labor and other groups.

It is the view of those at the center of this prospective 1954 scrap that the most earnest attempt to adopt a less rigid and expensive subsidy system in any case would not pass the next session of Congress. Hence to press it would only guarantee the defeat of the nominal Republican majority.

Furthermore, the more Secretary Benson and the Administration discusses flexible supports, the more they will fruitlessly aid in the defeat of Republicans, for even though flexible supports will not pass, the more Mr. Benson talks about them the more Democrats in the 1954 elections will be able to quote him as the source of worse things to come, and you had better elect Democrats if you don't want to lose your gravy.

Against "Improvements"

The same background will dictate an attitude of the leaders against many discussed "improvements," by which is mostly meant a little better break for this or that crop or commodity, a l l e g e d l y neglected compared with other commodities. The attitude of these leaders will be to lock the form as it now is, for to open it up in any way would tempt amendments in an election year making the subsidy program even worse and more expensive.

See Firm Business in 1954

It was revealed here that a group of 41 executives representing 41 important manufacturing trades held a private meeting in New York City recently to discuss, among other things, the outlook for their particular businesses as they saw it, in 1954. Trade association men are rated by and large as a conservative lot.

Six of these men believed that the outlook for their industries definitely would be better in '54 than this year. Seven said that the outlook for their respective industries was unchanged to a little better. Eight saw the outlook as the same or perhaps off just a little.

Another three said that while dollar volume would be off, physical volume would be higher. Another 14 industries reported the prospect of a decline of from 2% to 15%. Two expected a decline of from 20% to 25%, and one a drop of more than 25%.

Roughly, in a word, as many expect business to be as good, about as good, or better, than expect any decline at all. This report was given with the understanding that the industries or the men be not identified for publication.

Even if there were a 25% decline in most of these lines, the remaining output would be equal to the third or fourth best year of most of these industries.

The auto industry spokesmen generally look for a passenger car production, published reports indicate, of around 5 to 5.5 million passenger cars and 1.2 million trucks in 1954, versus a probable 7.4 million total for the current year.

If this turns out to be the 1954 production performance, it would equal the auto industry's third biggest year in history.

Put Tax Revision First

It is the firm intention of the House Ways and Means Committee to put the overall or tax reform bill ahead of any other tax proposal, it is reported. Shortly after the Congress meets, the W & M Committee will work on a "confidential committee print" of the revision bill, incorporating in all likelihood changes agreed upon for the most part by the staffs of the Treasury and Congress.

This bill will be considered in executive session for several weeks, and then will be given open and public consideration. This is to get revision ahead of the controversial question of tax rates as such and thus, so far as possible, get revision on its way before the heated subject of tax rates arises.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Will you lend me your 'Commercial and Financial Chronicle,' Boss?—I want to look like a big shot going home in the subway!"

Business Man's Bookshelf

Conscription — Daniel Webster; Part II, H. B. Liddell Hart—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. (paper) single copies no charge; quantity prices on request.

Directory of Institutional Investors of the United States and Canada, 1954—Fiduciary Publishers, Inc., 50 East 42nd Street, New York 17, N. Y.—$10.

Todd Theory—Brochure with 18 charts, complete with rules, calculations, etc., on coming price action in conformance with the price projections of the "Todd Theory"—F. Payson Todd, Todd Building, Ox Pasture Hill, Rowley, Mass.—$25.